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Ideas on Liberty

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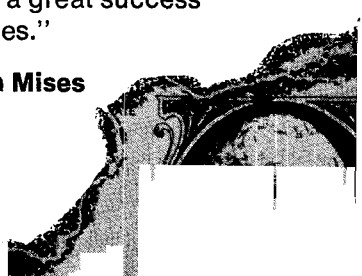

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VOL. 24, NO. 5 • MAY 1974

Living with Shortages — Dick Sabroff — 259
An engineer sees no reason why we should try to live with shortages.

FEO and the Gas Lines — Milton Friedman — 263
If we wait for Uncle Sam to provide, the lines will be interminable.

Price, the Peaceful Regulator — C. W. Anderson — 265
When parties are not permitted to trade at the price agreeable to both, violence will erupt.

Made in Washington — Paul L. Poirot — 267
Washington can lead us into crisis, if we so empower the government.

The Puritan Experiment with Price Controls — Gary North — 270
Concerning the search in early New England for a "just price."

Windfall Profits — Robert G. Anderson — 286
Erratic changes in consumer evaluations create profit opportunities for alert entrepreneurs.

The Role of Savings — Brian Summers — 291
Savings are discouraged by government intervention.

The Blessings of Diversity — Leonard E. Read — 295
Were all alike, instead of free, t'would mean the end of me and thee.

Competition: Key to Consumer Dominance — Bernard H. Siegan — 298
The entrepreneur renders society valuable services without cost.

In Quest of Justice — Ridgway K. Foley, Jr. — 301
Man's nature and justice in inter-human relationships.

Peace and Justice — Dean Russell — 311
One man's resolution to behave peacefully toward others.

Book Reviews: — 314
"Having My Way"
by Leonard E. Read
"The Enterprising Americans"
by John Chamberlain
"Population, Resources, and the Future: Non-Malthusian Perspectives"
edited by Howard M. Bahr, Bruce A. Chadwick, and Darwin L. Thomas

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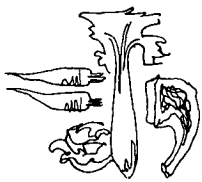
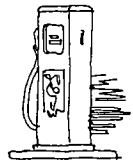
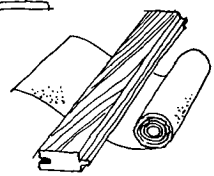


Living with Shortages





DICK SABROFF

Dear Mr. _____:

I'D LIKE to comment on a question you raised a couple of days ago. You wondered if shortages were not something beyond our control and with which we must live. You thought that in such a situation Uncle Sam "had to" step in.

To me this is very sad. Elementary notions of economics, once taught in the schools and in homes, are largely forgotten today.

For example, "shortages" are impossible in a free market. Instead, there is a constantly shifting balance between supply, demand, and prices. If today's demand is higher than yesterday's, or the supply lower, prices tend to rise. This is due as much to buyers' bidding up of the price as to sellers' desires to take advantage of the situation; both bid and asked prices go up in a most natural way.

Dick Sabroff has taught and worked as an electrical engineer and demonstrates considerable skill in the practice of freedom. This article is in response to a recent radio broadcast.

People tend to see in this only "greed" on the part of sellers. The thing on which to focus, however, is that the market is doing its job of allocating scarce resources in the beautiful, impersonal, automatic manner that only a market can.

The ways in which the market does this job are far more subtle than the schemes of men. If the supply of gasoline, for example, temporarily drops without a corresponding reduction of demand, the resulting higher prices eliminate the least necessary purchases so that the available supply goes where it's needed the most. But that's only the beginning. The higher prices also temporarily increase profits which encourages Exxon and Mobil and others to expand their facilities in order to sell more and, hopefully, earn more of those high profits. New competitors appear, too, to get in on the good pickin's. And the increased demand on pipe and drilling equipment suppliers produces

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similar effects; higher prices, higher profits, expansion. This sort of thing spreads to every industry needed to produce a greater supply.

Market Directives

The beauty of it goes still deeper, however. The reallocation process of the market not only causes expansion where needed, but also contracts the very industries contributing most to the problem. For example, with a gasoline "shortage," General Motors' sales tend to decrease, prices are forced downward (new 1973 full sized cars are still for sale at bargain prices), and profits tend to decrease. GM and others are urged, if not forced, to liquidate plant investment designed for production of gas-eaters. The same contracting forces act in the case of snowmobiles, resorts, and any other industry or activity tending to increase consumption of the scarce item.

Human resources are reallocated by this marvelous system, too. Layoffs in the contracting industries are accompanied by an increased demand for workers in the expanding ones. This might mean retraining and moving for some, but the market is doing the best thing that can be done and doing it fast, automatically, and impartially.

It goes still further. Higher prices on a "scarce" item, gasoline in our present example, mean greater potential profits from substitutes. This will spur industries and individuals to seek new ways — atomic cars or moving sidewalks or something. Investment of money and effort will be allocated, automatically again, to such research. And it is likely that the temporarily depressed industries, such as auto manufacturing, will lead the way.

Thus, an unhampered market acts immediately to solve so-called shortages and surpluses. Through the price mechanism, it causes increased or decreased production as needed, it reduces or increases consumption both directly because of higher or lower prices and indirectly by contracting or expanding capital in industries which affect consumption. It reaches into every nook and cranny of our lives, and it changes our individual behavior in ways of which we are often unaware, but which are always calculated to bring about a better adjustment of economic factors. It acts so fast and so effectively that most of the time we don't even know that a potential problem has been averted.

The only thing required to prevent this super system from working is to interfere through legal or illegal actions. It is the job of government to prevent the latter, but

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it is government itself which is guilty of the former. A price control on gasoline, for example, eliminates the incentive to expand the industry while at the same time encouraging continued high consumption. It also prevents purchases from alternate sources willing to sell at realistic prices. Subsidizing consumption is another form of interference which has similar effects. In America, for example, we have mostly public ("free") roads. Expressways and the I-system, especially, have encouraged people to live farther from work and to do more travelling, thus encouraging greater consumption of gasoline. And because these roads are not owned by stockholders such as you or me, the market can't do much to reallocate resources from highway building and maintenance to gasoline production.

Fast and Automatic

To top everything, a free market would not only solve a gasoline "shortage" through the price mechanism, but the prices themselves would come back down almost before they went up. As soon as production is expanded and consumption decreased, prices must be lowered to solve the potential "surplus." Add in the benefits of research also born of the high price situation and one can see that prices may well be lower than before with quality and service improved to boot. We could even end up selling to the Arabs for less than their costs of production. As mentioned previously, all of this happens so fast and so automatically in a really free market that we are unaware that there ever was a problem. We see only that prices fluctuate slightly and constantly, reflecting changing conditions, new desires on the part of people, new methods and inventions, and so on. "Crises" are unknown in an unhampered free market economy.

The relative stability and quiet efficiency of a free market dull people's minds to a realization of the millions or billions – probably even trillions – of decisions and adjustments that are made every day by 200 million people acting and interacting, planning their futures, and so on. This marvelous system clearly transcends the abilities of men. Any attempt to replace this near-perfect, natural, *moral* system with the political actions of a relative handful of people is as pitiful as it is naive. The fact that the free market has been largely frustrated in the matter of education probably has much to do with the almost universal ignorance of the basic economics I've touched upon in this letter.

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Ourselves to Blame

One more point. When I speak disparagingly about "government," I'm not referring to the people who make up the government. The behavior of government is determined by the rest of us through our ignorance, our greed, our envy, our jealousy, and our childish belief that someone else can run our lives better than we and thereby relieve us of the responsibility for our actions. There are many good people in government, but they have little choice other than to reflect the consensus of opinion; even emperors and dictators must face this if they wish to persist. Government officials, then, are not proper targets for our complaints. In our ignorance we have given government an impossible assignment and the blame for our troubles lies wholly with us.

Sincerely,

Dick Sabroff

P. S. Please forgive me for preaching. I'm trying to avoid pressing my views on anyone unless asked. You didn't ask me, but you did sound sincerely puzzled and that seemed like my cue. I've known a few who have broken through the myths, superstitions, propaganda, ignorance, and self-delusion, to discover the divine nature of freedom; a harmony and beauty which truly "passes all understanding." Once this initial breakthrough is achieved, a person is in for a lifetime of unfolding beauty which at times is almost too much to bear. The joy which accompanies this is also beyond description. To know that things are just fine at the foundation is a source of great comfort. It's a faith achieved by very few, but I've never heard of anyone losing it once he found it. Your interest suggested that you might be ripe and I would always feel guilty if I did nothing. People like me are often regarded as kooks and I'm used to it, so if you choose to disregard this letter, that's fine. There's nothing lost. But something could be gained if you are motivated to reflect more on the subject; you might even discover the wonderful world I've said is reserved for a select few. Should you care to delve more deeply, I suggest that the truth is not easy to come by and one should be highly skeptical of the popular sources of information. These sources (newspapers, television, bestsellers, and so on) are entertaining and informative, but they largely reflect the thoughts and desires of the masses and we're talking here about something much more elusive and profound—Truth.

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MILTON FRIEDMAN

FEO and the Gas Lines

AS I write this in Chicago, lines are forming at those gas stations that are open. The exasperated motorists are cursing; the service-station attendants are fuming; the politicians are promising. The one thing few people seem to be doing is thinking.

How is it that for years past, you and I have been able to find gas stations open at almost any hour of the day or night, and have been able to drive up to them with complete confidence that the request to "fill up" would be honored with alacrity and even with a cleaning of the windshield? To judge from the rhetoric that pollutes the air these days, it must have been because there was a powerful Federal Energy Office hidden somewhere in the underground dungeons in Washington, in which an invisible William Simon was efficiently allocating petroleum products throughout the land, riding herd on greedy oil tycoons lusting for an opportunity to mess things up and create long lines at their gas stations.

Of course, we know very well that the situation is precisely the reverse. The lines date from the creation of a real Federal Energy Office run by a very visible, able and articulate William Simon. Which is the cause and which the effect? Did the lines produce the FEO or the FEO the lines?

After the Arabs cut output, Germany imposed no price controls on petroleum products. It did initially restrict Sunday driving but soon removed that restraint. The price of petroleum products jumped some 20 or 30 per cent, but there were no long lines, no disorganization. The greedy consumers found it in their own interest to conserve oil in the most painless way. The greedy oil tycoons found it in their own interest to see to it that petroleum products were available for those able and willing to pay the price.

Other European countries, like the U.S., imposed price controls. And, like us, they had chaos.

The Arab cut in output can be blamed for higher prices, but it cannot be blamed for the long lines. Their creation required the

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cooperation of shortsighted governments.

The world crisis is now past its peak. The initial quadrupling of the price of crude oil after the Arabs cut output was a temporary response that has been working its own cure. Higher prices induced consumers to economize and other producers to step up output. It takes time to adjust, so these reactions will snowball. In order to keep prices up, the Arabs would have to curtail their output by ever larger amounts. But even if they cut their output to zero, they could not for long keep the world price of crude at $10 a barrel. Well before that point, the cartel would collapse.

The effects of consumer and producer reactions are already showing up. The European countries that introduced rationing and restrictions on driving have eliminated them. World oil prices are weakening. They will soon tumble. When that occurs, it will reveal how superficial are the hysterical cries that we have come to the end of an era and must revolutionize our energy-wasting way of life. What we have been witnessing is not the end of an era but simply shortsightedness.

At home, unfortunately, our problems will not be over so soon. The panicky FEO forced oil companies to shift so much production to heating oil that we face a glut of heating oil but a paucity of gasoline. The FEO's allocations among states have starved some, amply supplied others. Its order that refineries operating at high levels must sell oil to those operating at low levels sounds fine. In practice, however, it reduces the incentive for the recipients to buy oil abroad and produces a wasteful use of oil at home.

We have the worst of both worlds: long lines and sharply higher prices – indeed, higher than I believe they would have been without the waste resulting from FEO controls.

Is rationing the solution? Far from it. It is the problem. We already have rationing of producers and distributors. Coupon rationing of final consumers would simply be the hair of the dog that bit you.

The way to end long lines at gas stations is to abolish FEO and end all controls on the prices and allocation of petroleum products. Within a few weeks, your friendly dealer would again be cleaning your windshield with a smile.

How can thinking people believe that a government that cannot deliver the mail can deliver gas better than Exxon, Mobil, Texaco, Gulf and the rest?

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PRICE, The Peaceful Regulator

C. W. ANDERSON

"GAS TRUCK DRIVER SHOT AND KILLED ON TOLLWAY," screamed the headline!

The second line could have been ". . . as he was delivering goods on a contract made voluntarily and peacefully between two parties." How come the violence and third-party interest here? A good question! But, actually, the killed was the fourth party of this transaction – a third party having previously declared an interest in it. The third party was the Government, which had ruled that prices for certain products and for deliveries must have Government approval. In effect, two parties who would normally work out a free-market price agreement to their mutual advantage were prohibited from doing so . . . and in the process, many felt their rights were infringed and that violence was required to correct the injustice.

Such actions, which take the law into the aggrieved party's hands, are never justified, of course, but they dramatize the fact that violence in the exchange of goods and services (the market place) is almost always a result of a third party enforcing its decree or demand.

Normal two-party exchanges are nonviolent because of a wonderful economic tool: *price, the peaceful regulator.* A free-market price is reached by a very complicated, computer-like weighing of a vast number of factors which include not only costs but personal buyer preferences, other attractions for the buyer's dollars, an-

Mr. Anderson is President of the Employers Association in Milwaukee.

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ticipated competition, and the like. When we understand how this process works, we will see our own business and personal activities in clearer focus. Also, what is happening in the current energy shortage will be more understandable!

It Takes Two to Trade

An example close to all of us may illustrate how this tool works.

If we will ask ourselves how much our own services and time are really worth, we'll find that an honest answer is elusive – actually impossible. This is because our judgment is never the only factor in the determination of this price. There is always the value someone else, the buyer (employer), places on our services. As great as we may sometimes think we are, our effective price is not at that high level unless a buyer agrees with us. Only in a system where a dictator or a law sets an arbitrary price is our compensation determined without an agreement between a buyer and ourselves (seller).

Precisely the same is true of all products and materials. Just as you and I try to get "all the traffic will bear" in selling our time and services, so the merchant does this for his goods and the manufacturer for his "widget." And, this is as it should be because all the buyers of our services, or "widgets," try to pay as little as possible for these. The net result of these "conflicting" objectives is a willing, uncoerced exchange by mutual agreement . . . with no conflict. Even when the buyer and seller don't agree, no violence occurs – each simply seeks a seller or buyer elsewhere. No headlines; no one else even aware of what has happened.

Today, third-party interference is all about us working both subtly and with open violence; in either instance force, or the threat of it, hovers over voluntary, peaceful exchange arrangements. The danger in this is that we tend to be expedient, to adjust to each new third-party interference, soon accepting it as normal. As evidence, consider only the growing normalcy of teacher strikes and the almost complete acceptance of controlled interest rates and plane fares. But as we embrace each new third-party interference, our vision of a free market blurs and the ideals and the miraculous efficiency of a free, peaceful economy become more remote.

Free-market pricing is, indeed, a kind of miracle when we consider the billions of exchanges made peacefully every day in our economy. *Without it, the "energy crisis" will continue! Without it, no economy can survive!*

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MADE IN WASHINGTON

PAUL L. POIROT

THE FACT that the nation's "crises" are made in Washington leads many citizens of the United States to the false conclusion that solutions are to be found there, too. Opinion polls may reveal that the popularity of the President, or of the Congress, or both, has fallen below zero; yet an overwhelming preponderance of these same supposedly disillusioned citizens will demand that the Federal government "do something" to solve whichever crises happens to be most aggravating at the moment.

Let there be no doubt that crises are made in Washington—whether it be a matter of meat, grain, energy, transportation, education, health care, or even inflation. The reason why shortages invariably are caused in Washington is because that's where all the raw material is concentrated.

The raw material concentrated in Washington? The meat? The grain? The fuel? No, of course not these things. But meat is not the raw material of a meat shortage, nor fuel the raw material of an energy shortage. The only raw material of any shortage of goods or services is *coercive intervention.* And only when that coercive intervention is concentrated in Washington can there be the kind of shortage that amounts to anything like a crisis.

Let's stick to the "energy crisis" for a moment. What is meant by *coercive intervention?* It is the use of violence to disrupt or interfere with the peaceful voluntary actions and transactions of willing buyers and sellers. For example, someone steals a gallon of gas, or a whole truckload, or bombs a refinery, or even an entire oil field.

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Those are forms of coercive intervention, and they are destructive and disruptive of production and trade. But does the theft of a gallon of gas or the shutdown of a particular oil field result in a shortage or crisis of national or international proportions? No, it doesn't. The market, if left open and free to function, can readily cope with and adjust to such changes. If supplies are diminished to some extent, higher prices will discourage consumption and stimulate production until a new balance is achieved, with no crisis whatsoever.

Major Violence

Suppose there is more extensive violence – such as an Israeli-Arab war that closes canals, cuts pipelines, destroys producing wells and shipping facilities. Wouldn't that bring an energy crisis? Indeed it could, but not necessarily, and not directly. Any crisis that comes of such warfare will come only in those countries where the war is used as an excuse to close the market and coercively prevent prices from adjusting to the new conditions of supply and demand. If the citizens of the United States, for instance, allow themselves to be stampeded by war in the Middle East to either demand or allow ceiling prices on oil and gas and other fuels, only then would there be concentrated in Washington the raw material of an energy crisis. And, to repeat, that raw material is coercive intervention: not the war in the Middle East, but the coercion turned against the people of the United States by the government in Washington to which they had surrendered their freedom of choice and freedom to trade.

Market Interference

The process of closing the market against citizens is called *price* control, but a more realistic name would be *people* control or *prohibition*. Citizens are coercively prohibited from buying or selling precious fuels at market prices. If the legal price is lower than the free market rate, the consequence is a shortage – a demand that will not voluntarily be satisfied at that arbitrary price – a crisis of coercive intervention that must persist as long as the Federal government chooses to exercise the power of choice citizens have relinquished.

What motivates individuals to allow government to close the market may be of interest, but it doesn't have anything to do with the consequent shortage or crisis. Perhaps it was sympathy for Israelites or hatred of Arabs, a desire to befriend the poor, a concern over pollution, an objective of national self-sufficiency, an at-

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tempt to curb profit margins, or any one of the other reasons that might have entered 200 million different minds.

The fact is that the power to close the market was concentrated in Washington and was exercised; and no other consequence was possible except a shortage and a crisis, at the prices and under the rules coercively prescribed. To then demand that Washington exercise further power, impose additional prohibitions, can only aggravate the crisis. All that is necessary to effect an instantaneous and miraculous end to the shortage is to lift all controls over the production and marketing of fuels; leave the matter to the voluntary actions of willing buyers and sellers in an open market.

So, how does one go about lifting these controls? Write his Congressman to do something? Perhaps that might be helpful. But an alternative is to stop writing Congressmen to do things for us, do what we can for ourselves and accept the responsibility for such risky decisions and actions. Washington would soon get the message if we wanted to try freedom.

IDEAS ON LIBERTY

A Better Idea

THE USE OF FORCE to battle an idea tends to generate it rather than to kill it. I doubt if an idea has ever been killed by means of force. The enemy of the free market is an idea – the belief that controls can serve the freedom of man. . . .

Any law or regulation will be nullified whenever enough persons judge it to be unwise and improper, and not until then. Not every person needs to become convinced that it is unwise. Not even 51 per cent of them need to become convinced. All that is necessary is for a few thought leaders in all walks of life to become convinced because they are the ones to whom many others turn for guidance and advice. It is this understanding among the thought leaders that we now lack and that we must have for success in regaining freedom to trade.

F. A. HARPER, *"Gaining the Free Market"*

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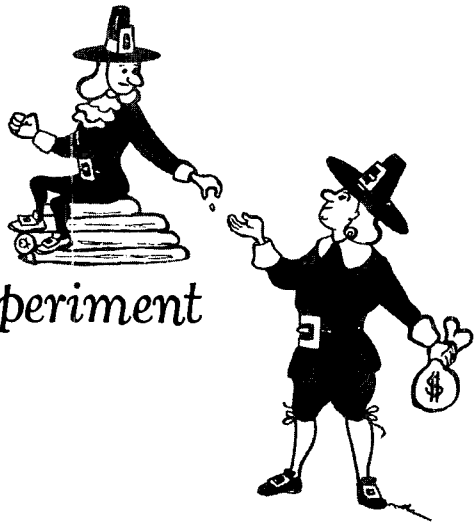
GARY NORTH



The Puritan Experiment with Price Controls

> The court having found by experience, that it would not avail by any law to redress the excessive rates of laborers' and workmen's wages, etc. (for being restrained, they would either remove to other places where they might have more, or else being able to live by planting and other employments of their own, they would not be hired at all), it was therefore referred to the several towns to set the rates among themselves. This took better effect, so that in a voluntary way, by the counsel and persuasion of the elders, and example of some who led the way, they were brought to more moderation than they would by compulsion. But it held not long.
>
> Gov. John Winthrop
> *Winthrop's Journal*, II, p. 24.

Dr. North, economist, lecturer, author, currently is an associate of Chalcedon, an educational organization dedicated to Christian research and writing. His latest book is *An Introduction to Christian Economics*, Craig Press, 1973. He is the editor-publisher of the *Remnant Review*, a fortnightly economic newsletter.

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THE LITTLE band of Pilgrims who settled Plymouth Colony in 1620 are more famous in children's textbooks than their neighbors, the Puritans. Plymouth Rock, Thanksgiving, Miles Standish, and Speaking For Yourself, John, are all ingrained in the story of America's origin. Nevertheless, in terms of historical impact, the Pilgrims never rivaled their Puritan neighbors. Plymouth Colony remained a relatively isolated and closed society until it finally merged with Massachusetts in 1692. It was Gov. John Winthrop, not Gov. William Bradford, who left his mark on American institutions.

The first generation of New Englanders were an optimistic bunch. Even those social and religious outcasts who wound up in Rhode Island shared this faith in the future. The Puritans, in the famous words of Gov. Winthrop, expected to become a "city on a hill," like the shining community mentioned in the Gospel of Matthew (5:14) – a light to the darkness of the world, an example of how godly living, both personal and social, might bring prosperity and peace on earth. By the preaching of the gospel and the establishment of Christian institutions, they believed, Christian reconstruction of the world is not only possible but mandatory.[1] This vision is best seen in the history of New England written by Edward Johnson in 1653: "I am now pressed for the service of our God Christ, to re-build the most glorious Edifice of Mount Zion in a wilderness. . . . Then my dear friend unfold thy hands, for thou and I have much work to do, aye, and all Christian Soldiers in the world throughout."[2]

The question of what constituted a truly godly economic system did not immediately disturb them. The leaders of the colony were sons of the lesser British gentry, made up of men trained in law, theology, and the classical education of the universities, Cambridge and Oxford. Most of the people were farmers, with a scattering of craftsmen and artisans (too few, as they were to discover); they were literate, reflecting the Puritan emphasis on education, but hardly scholars. What little economics their leaders brought with them was basically the economics of the medieval schoolmen. Economics was only just beginning to become an independent discipline in England; there were no professional academic economists, and very few men who were more than pamphleteers even among the "professionals." Thus, it is not surprising that the first two generations of leaders in New England should

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have fallen back upon "tried and true" medieval economic concepts. One of these was the concept of the just price.

A "Just" Price

A lot of needless confusion has emerged from discussions of scholars concerning the just price. From the time of Thomas Aquinas right up until the mid-seventeenth century, a "just" price was assumed to be the market price during "normal" times. No widely read schoolman ever tried to compute some mathematically precise formula on the basis of ethics; indeed, Aquinas himself had denied that such precision is possible.[3] The problem of justice arose when there were disruptions in the market – a war, a famine, a local production monopoly – that made it appear that justice was being thwarted by greedy exploiters. Then the standard approach was to assemble a group of distinguished, "impartial" leaders in the community, and they were supposed to determine the proper prices for various commodities. (If this sounds vaguely familiar in the 1970's, it is. Now, however, computers are supposed to guarantee the impartiality.) The goal, officially, was consumer protection. More often, not unsurprisingly, the result was the creation of an even more monopolistic guild, for the "just" or "reasonable" price was, in the absence of a competitive market price, computed on a "cost-plus" basis. As in World War II, this was more apt to lead to producer protection – from more competitive producers.[4]

These restrictions on free entry – to guarantee "quality" production from "unscrupulous" producers who would offer shoddy goods at lower prices – were the foundation of the medieval guild system. Similar restrictions operated in New England during the first half-century of its existence. Licensing, municipality-enforced inspections, and self-policing by guild members were all features of the medieval city and the New England town. But the most common feature was a system of price and wage controls.

Early Controls

Almost from the beginning, the colony of the Massachusetts Bay Company placed controls on the wages of artisans. The colony was begun in 1629; in 1630 a law was passed which established wage ceilings for carpenters, joiners, bricklayers, sawyers, and thatchers.[5] Common laborers were limited to twelve shillings a day, or six if meat and drink were provided by the employer. Any artisan violating this statute was to

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be assessed a ten shilling fine. The effect of these wage ceilings must have presented itself almost immediately: an excess of demand for the services of artisans over the available supply. Under such conditions, it is always difficult to recruit labor. Within six months, these wage ceilings were repealed, leaving wages "free and at liberty as men shall reasonably agree."[6] The implication was clear enough, however: if men should again grow unreasonable, the controls would be reimposed. They were.

The history of price and wage controls in New England is an "on again, off again" affair. The year 1633 brought a new set of regulations, a law which the magistrates saw fit to repeal in 1635.[7] The repeal was of a special nature, however. The civil government imposed a general profit margin of 33 per cent on any goods sold retail in the colonies if the particular good was imported. No imported good could therefore be sold above 33 per cent over the London price.[8] The magistrates then inserted a clause which was almost calculated to drive merchants and laborers to distraction. Instead of setting forth in the statute a precise, predictable definition of what constitutes economic injustice and therefore a breach of the written law, the magistrates chose instead to warn citizens against violating the *intent* of the law:

> Whereas the former laws, the one concerning the wages of workmen, the other concerning the prices of commodities, were for diverse good considerations repealed, this present Court, now, for avoiding such mischiefs as may follow thereupon by such ill-disposed persons as may take liberty to oppress and wrong their neighbors, by taking excessive wages for work, or unreasonable prices for such necessary merchandise or other commodities as shall pass from man to man, it is therefore now ordered, that if any man shall offend in any of the said cases against the true intent of this law, he shall be punished by fine or imprisonment, according to the quality of the offense, as the Court upon lawful trial and conviction shall adjudge.[9]

In short, there was a law against "excess profits" back in 1635, and it provided the law enforcement agents with a considerably broad unspecified coverage. The men involved in trade in 1635 had about as little notion of what constituted the limits of state authority in the realm of economics as men have today. The 33 per cent figure was one of the few to appear in the legislation of that era, but men could never be certain that the court or courts would uphold the validity of any given transaction. It made for a con-

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siderable degree of uncertainty in economic exchange.

The Road to Serfdom

Max Weber, the great German sociologist, argued on several occasions that the essence of both theocratic commonwealths and socialist regimes is this reliance upon substantive concepts of justice. The law of the land is governed in terms of a higher ethical or theological system than mere economic efficiency or the possibilities for profit. (It could be argued, of course, that the emphasis on economic efficiency to the exclusion of everything else is equally religious in impact, equally ethical.) What characterizes most capitalist economies, on the other hand, is a system of written, formal, predictable law that inhibits the decision-making power of theocratic rulers or socialist bureaucrats and planners. F. A. Hayek concurs with Weber, and his *Road to Serfdom* and especially *The Constitution of Liberty* are eloquent defenses of the rule of formal law as the foundation of the free society as well as the free market. What is essential to capitalism, both Hayek and Weber agree, is *legal predictability*. Written law is important, though not absolutely essential. (England has resisted formal written law for centuries, while the Soviet Union has a nice written Constitution that is operationally impotent.) Men need to know what to expect from the civil government if they are to plan rationally and make economic decisions effectively.

The magistrates, by assuming that the inherited medieval concern about "ethical" pricing was the Christian approach to economic affairs, necessarily created a dilemma for themselves and the citizens of Massachusetts. How does one determine what is a just price? What are the legitimate limits on economic oppression? How is the individual bargainer to estimate whether or not he is making an infraction against the "true intent of this law"? What are the legitimate limits on state authority? Prediction becomes exceedingly difficult, for the traders can never be sure of how the magistrates – who were also the final court of appeals – would estimate "the quality of the offense."

Another problem was the establishment of the locus of authority. (The Soviet Union is eternally caught on the horns of this dilemma.) Should the local civil government set prices in terms of local conditions, or is the central government responsible? In October, 1636, the General Court of Massachusetts delegated the authority to regulate prices and wages to the

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various towns.[10] Nevertheless, the magistrates could not resist the cry of "oppression," and in March of 1638, a committee was set up to investigate complaints against exorbitant prices and wages. Such ruthless pricing, the authorities stated, is "to the great dishonor of God, the scandal of the gospel, and the grief of diverse of God's people, both here in this land and in the land of our maturity. . . ."[11] The city on a hill was not setting a godly example to the heathen and the people back home in England. The central government continued to maintain its right to step in and regulate prices when such action seemed warranted by the situation, but in general the towns did most of the regulating work after 1636. Only with the great Indian war of 1675-76 did the central government step in to take vigorous action against high prices. As Prof. Richard B. Morris summarizes the history of the controls: "The codes of 1648 and 1660, and the supplement of 1672, continued substantially the basic law of 1636 against oppression in wages and prices, leaving to the freemen of each town the authority to settle the rates of pay."[12]

Connecticut's Wage Code

The other Puritan colonies were no better, with the exception of the Pilgrim group in Plymouth. Connecticut's General Court insisted that men had not proved reliable when left as "a law unto themselves," and therefore it passed an incredibly detailed wage code. At first, the officials apparently had no insight into the consequences of the regulatory nightmare they were constructing. Skilled craftsmen were not to accept more than 20 pence a day (12 pence to a shilling) from March 10 through October 11, nor above 18 pence for work on any other day during the year. This included carpenters, masons, coopers, smiths, and wheelwrights. All other handicraft workers were prohibited from taking more than 18 pence per day for the first half of the year, nor more than 12 pence during the remainder of the year. Workers were obligated to work an eleven-hour day in the summer, in addition to eating and sleeping, and nine hours in the winter. Price controls were placed on sawed boards.[13] This jumbled mass of legislation was repealed within a decade.[14]

New Haven Colony, which was merged with Connecticut in 1662, imposed controls in 1640, just as the great economic depression of the 1640's struck New England.[15] No longer would there be the massive exodus of Puritans from England, for the Civil War of the Cromwell era had begun, and Eng-

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lish Puritans stayed in the British Isles to fight. Thus, the capital and currency brought in by immigrants from 1630-40 was instantly cut off. Prices collapsed almost overnight. The irony of imposing price controls in the year of the beginning of a collapse in prices should be obvious. As in the comparable medieval legislation, a group of supposedly disinterested men served as the committee which judged individual situations in cases involving disputes.[16] These controls do not appear in the 1656 law code of the colony, indicating that they had abandoned price controls in the intervening period.

The Trial of Captain Keayne, a Typical Case

Historians are not agreed on the actual effects of such legislation. Some think that the Puritans were in dead earnest about enforcing the codes.[17] On the other hand, one scholar has argued that they probably were not that crucial in operation; between 1630 and 1644 – the years of the most rigorous legislation in Massachusetts Bay Colony – less than twenty people were actually convicted for violating the wage and price guidelines. Twice as many people were convicted for speaking out against public authority in this period.[18] The most famous case was the trial of Capt. Robert Keayne, but there is good reason not to regard this as a typical case.

Capt. Keayne, officer of the Artillery Company, was a zealous Puritan, a merchant of Boston, a public leader, and the subject of the most famous economic trials of New England. The 1639 trial involved a dispute over his alleged price gouging; the 1642 trial involved a dispute with a local woman over the ownership of a sow. (Incredibly, this was one of the most important trials in American history. The dispute over its result – Keayne was judged innocent by the magistrates – led to the establishment of a bicameral legislature, for the elected representatives of the towns, the deputies, sided with Keayne's opponent, goodwife [Goodie] Sherman. The magistrates had vetoed the deputies, and the deputies finally pressed for a division in the legislature. A pig helped to destroy unicameralism in America![19]) In the 1639 trial, Keayne was convicted of economic oppression, and he was fined £200 (later reduced to £80 by the magistrates, to the dismay of the more "democratic" deputies), and he was forced to confess his economic sins before the First Church in Boston. This is the only case of economic confession in the archives of the Massachusetts ecclesiastical rec-

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ords.[20] Thus, far from being typical, this famous trial was more of a pre-1640 symbol. Once his "deviant" behavior was exposed publicly, the public promptly forgot about it, although Keayne never did.

Keayne's last will and testament, which has become one of the most important of all primary source documents for early New England history, records his disapproval of the whole affair. He desperately wanted to clear his name, a decade and a half later, even to the point of asking his estate's overseers to petition the General Court to repeal the original sentence "and to return my fine again after all this time of enjoying it. . . . which I believe is properly due to my estate and will not be comfortable for the country to enjoy."[21] His economic practices had been fair, he claimed, and well within the bounds of merchants' ethics. Those who had accused him were all liars, he said, and spent several pages of his will to refute them. Furthermore, other men had committed really serious crimes, but they had been fined lightly. Keayne's most incisive observation related to the changed status of some of his former detractors. This statement offers considerable insight into the process of gradual decontrol of the economy after 1650:

> [My own offense] was so greatly aggravated and with such indignation pursued by some, as if no censure could be too great or too severe, as if I had not been worthy to have lived upon the earth. [Such offenses] are not only now common almost in every shop and warehouse but even then and ever since with a higher measure of excess, yea even by some of them that were most zealous and had their hands and tongues deepest in my censure. [At that time] they were buyers, [but since then] they are turned sellers and peddling merchants themselves, so that they [the crimes] are become no offenses now nor are worthy questioning nor taking notice of in others.[22]

What had taken place to change the public's opinion about price controls? First, as Keayne noted, the self-interest of some of the participants had changed, so their ethics had changed. Second, the depression of 1640-45 had begun to slacken in the later 1640's, and one of the sources of revival was the birth of the New England shipping trade. The merchants were important in the economy now – crucial, in fact – and their influence could not be ignored without cost. New England in 1650 was no hotbed of laissez-faire capitalism by any stretch of the imagination (or manipulation of the footnotes), but the old suspicion toward business was never completely revived after the 1640's.

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A Problem for Politicians

Keayne's case had posed a serious problem for the political leaders and the ministers who served as their advisers. (Ministers were not permitted to hold political office in New England, for this was regarded as a breach of separation between two God-ordained offices. There was no separation of religion and state – except, as always, among the outcasts of Rhode Island – but there was an official separation of powers, sword and word.) Gov. John Winthrop records in his diary the problems confronting the judges. Rev. John Cotton, probably the leading social theorist among the New England clergy, had outlined for the magistrates the standard medieval critique of free pricing, already over four centuries old in European thought. Primary rule: no man has the right to buy as cheaply as he can in all cases, nor sell as dearly as he can in all cases, even if the market should permit it. Second, no man of business should take advantage of another's ignorance to make a profit. Third, he may not sell above the current market price, even to make up for losses on other items, a restriction which was basic to medieval Christian casuistry. (Casuistry: the application of general principles to specific circumstances.)

In applying these standards in Keayne's case, Winthrop said, the magistrates had tended toward leniency. He offered several reasons why. First, there was no law prohibiting profit as such. Second, because men in all countries use their advantage to raise retail prices. Third, he was not alone in his fault. But the fundamental point was the final one. It is here that we see the ultimate chink in the armor of all price control schemes, from 1100 A.D. to the present: "Because a certain rule could not be found out for an equal rate between buyer and seller, though much labor had been bestowed upon it, and diverse laws had been made, which, upon experience, were repealed, as being neither safe nor equal."[23] Aquinas himself had warned that "the just price of things is not fixed with mathematical precision, but depends on a kind of estimate, so that a slight addition or subtraction would not seem to destroy the equality of justice."[24] Finding that elusive "equal rate" proved to be more of a task than successive pieces of legislation could achieve in New England, no less than in Europe as a whole. No one knew what a just price was.

Kai Erikson has written with respect to social deviants that they perform a kind of communal function. The deviant is ushered into his role "by a decisive and often

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dramatic ceremony, yet is retired from it with scarcely a word of public notice."[25] This was certainly Keayne's fate. He was later elected as a magistrate, and his occasional lapses into drunkenness are noted in the official records only by the imposition of small fines. The humiliation of the trial disturbed him until his dying day, but the Puritan community, having made its point, was content to let bygones be bygones. It had asserted its medieval economic standards, and it promptly went about undermining them, a fact which Keayne saw clearly, but which did not bother the majority of his more energetic contemporaries. So long as a man's conscience was sound and his intent was just, he was free to go about his business. Obviously, to prove the state of a man's conscience, especially if the suspect happened to be a leader in Puritan politics, industry, or shipping, would be no easy task. This difficulty would be far more obvious to the magistrates in 1650 than it had been in 1639.

Wage Controls in 1641

The last major attempt by the central government of Massachusetts to control wages in peacetime came in 1641. The scarcity of money – scarce in comparison to prices common the year before – had disrupted the economic life of New England. Immigration from England came to a standstill; indeed, a few energetic Puritans returned to England to participate in the Civil War against Charles I. Merchants were closing their doors, manufacturers were refusing to hire laborers. The General Court declared that laborers must accept a mandatory reduction of wages proportional to the reduced price of the particular commodity they labored to make. Laborers, the law declared, "are to be content to partake now in the present scarcity, as well as they had their advantage in the plenty of former times. . . ."[26] At least the magistrates had enough sense to control prices in the general direction of the market. In tying the laborer's wage to the value of his output, they acknowledged the close relation between the market price of the produced good and the value of labor's services. In contrast to modern wage controls during a depression – wage floors, compulsory collective bargaining, artificial restrictions on entry into labor markets, and so forth – the Puritans of 1641 understood that laborers should accept a lower wage if the value of their output was falling. Three centuries later, their descendants were not to show equal wisdom in the face of a similar collapse in price expec-

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tations, even those who were the officially certified experts in economics, a discipline undreamed of in 1641. The Puritans used shipping and increased agricultural output to revive their economy; their descendants used deficit financing and a world war, and even then their depression lasted longer.[27] The price controls of the seventeenth century, however misguided, were a lot more sensible than those of the twentieth century.

1675: The Turning Point

After 1650, there was a relaxation of economic controls, especially price controls. (The controls on product quality and guild output did continue, sporadically.) As the new shipping trade expanded, the market expanded. This expansion of market transactions, especially in the Boston vicinity, encouraged the greater specialization of production, and hence encouraged greater economic productivity. Furthermore, as more people entered the markets, both as producers and buyers, the ability of individuals to manipulate specific prices decreased. There was more competition, greater knowledge concerning alternative prices and substitutes, and more familiarity with trade. The price spread between producer and consumer naturally decreased as participants became more skilled in their transactions. Thus, the need for specific legislation was reduced, as far as the magistrates were concerned. Medieval just-price theory had always accepted market pricing as valid, except in "uncommon" or emergency conditions, and with the expansion of the free market came a respite from political intervention into market pricing. The last great outburst of intervention came in 1675-76, during the serious Indian uprising known as King Philip's War.

People seldom hear of King Philip's War today, yet in terms of the percentage of Americans who died in any war, this was by far the worst. The Indians, led by their prince who was known as King Philip by the whites, struck without warning up and down the edge of the New England frontier. For almost a year it looked as though they would triumph, or at least seriously restrict European settlement in the area. Estimates of the loss of life have ranged above ten percent of the total population of the whites, unmatched by any other war. Thousands lost their homes and fled to the urban areas of more populated towns. Understandably, such population shifts put terrible burdens on the New England economy. Outfitting the militia and paying the salaries intensified the disruption, as men

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left their farms and shops to join the armed forces.

Pastoral Pessimism

For years, Puritan preaching had become increasingly pessimistic in approach. After 1660, the old theological optimism had begun to fade, and a new sermon style appeared. Known today as the "jeremiad," these sermons warned the people against the consequences of sin and the failure of the young generation to join the churches as members (membership had always been a minority affair in New England, but after 1660 it was even more of a minority affair). Michael Wigglesworth's famous poem, the *Day of Doom,* and his less famous *God's Controversy with New England,* became best-sellers in their day (the early 1660's). Pastors warned of God's impending judgment; the old faith in New England as a triumphant "city on a hill" appeared less and less in the sermons. The Indian uprising seemed to confirm all the dire prophecies of the ministers.

Rev. Increase Mather (who along with his son Cotton became the most prolific writing team in American history) pressed the General Court to pass a list of "Provoking Evils" that had brought on the curse of the war. The "democratic" deputies instantly followed his advice; the "aristocratic" magistrates held out for a week, until the news of another Indian victory forced them into action. The list included the usual social failings: the ignoring of God's warnings, the many uncatechized children in the commonwealth, the decline of church membership, the wearing of wigs, long hair among men, and luxurious wardrobes, the existence of Quakers (this issue had faded in the early 1650's). (Topless fashions among women – far more common in 1675 than today – drew a fine of 90 per cent less than the fine for being a Quaker, which may indicate something about Puritan priorities in 1675.) But the list of "Provoking Evils" could not be rounded out without calling attention to various economic oppressions. Double restitution for price gouging was imposed (for the amount of the overcharge); fines could also be imposed by the court. (Today, we also hear suggestions to impose a system of restitution for crime victims, but with this grim variation: the victims are to be reimbursed by the taxpayers, not the criminals.[28]) Complaints against artisans and merchants could be lodged by "victims," but there was no mention of inflated agricultural prices.[29]

The key concern of the magistrates was shown in the following year, 1676. Inhabitants of differ-

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ent counties were charging varying prices for the same goods sold to the militia. (You can be virtually assured that the higher prices appeared in those areas where the militia was actively engaged at any point in time.) The General Court asserted that goods and services are the same in value, wherever found, that is, a rifle is a rifle, in any county of Massachusetts. The answer to this problem, said the Court, was the imposition of full-scale price controls, and this became law on May 3, 1676. This was the last fling; not for another century, when a new war broke out, would any New England legislature pass such a comprehensive scheme of price controls. So they created a central council:

> It is ordered by this Court, that a committee shall be chosen in each county to examine the rates put upon all manner of things used or expended for the public, and to view the particular bills allowed by the militia of each town for expences, until the first of this instant [month]. And so far as they judge right and equal, to pass the same under their hands. And the committees abovesaid are hereby ordered to choose one man from among themselves, in every [one] of the counties, who shall meet at Boston the first fourth day in July next, and bring with them the accounts allowed and passed in the several counties, where and when their work shall be to compare them together, and to regulate the whole, as to them shall seem most just and equal. . . .[30]

One Last Try, Then a Century of Freedom

A very similar piece of legislation was passed by the Connecticut legislature in the same month.[31] Under the pressure of war, the magistrates and deputies could not resist the lure of officially stable, universal prices. The lessons provided by four and a half decades of price control legislation had not sunk in; the leaders still thought that they could legislate away the economic realities of scarcity and dislocation. Fortunately for the New England economy, the war ended before the year was over; the price controls of 1676 were allowed to lapse before the shortages, black markets, and disrupted supplies that are the inevitable products of price controls, could appear.

This was the high-water mark for price controls in New England. English mercantilism imposed controls on external trade, but not until 1776 were the people of New England to see full-scale price and wage controls. (Those controls proved to be economically disastrous.[32]) After 1676, a whole series of restraints on free bargaining were allowed to fade away. Controls on fashion —

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status-oriented sumptuary laws – disappeared. As discussed in a previous article, controls on the buying and selling of land were abandoned.[33] Clearly, it was the end of an era. A half-century of experimentation with intermittent price and wage controls had ended.

There was one exception to this general rule. The Massachusetts legislature did try, from time to time, to regulate the price and quality of bread. This continued until 1720. Finally, the legislature passed one last bill, an incredibly complex set of regulations on the price and size of each loaf – four general price categories, 23 different weights, three types (white, wheaton, household) – and explained why such a law was necessary. The preface of this bill is an archetypal summary of the total ineffectiveness of price controls through the ages:

> . . . the act made and passed in the eighth year of King William III, entitled "an act for the due assize of bread," is found not effectual for the good ends and purposes therein designed, and a little or no observance has been made thereof, but covetous and evil-disposed persons have, for their own gain, deceived and oppressed his majesty's subjects, more especially the poorer sort. . . .[34]

I have not been able to ascertain if anyone was ever brought to trial as a result of this law, but there is no indication in the colony records that I have been able to locate which indicates that this control of bread prices was ever attempted again. My guess is that this absence is not due to the success of the law in thwarting "covetous and evil-disposed persons," but rather that the law was, as all the others before it had been, a failure. The search for the "just price" was over.

Conclusion

The Puritans had to be a practical people. The New England wilderness was a rugged testing ground. Commitment to principle was important for their religious and psychological survival, but they were always convinced that Christianity is an eminently practical religion. If a particular policy failed again and again, then Puritan political leaders and ministers were willing to rethink the policy. Either it had to be based on a false principle, or else there had to be a misapplication of a general principle. After half a century of failure with price control legislation, Puritans were quite willing to let the civil government retreat from the market's pricing activities. They did not stop preaching about economic oppression or personal immorality in economic transactions, but they no

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longer sought to involve the machinery of civil government in questions of cost and price.

The important fact for American economic history is that the old belief, imported uncritically in the name of Christianity, that the civil government needs to set "just" prices, was abandoned. A medieval legacy – itself the product more of Aristotelian logic than biblical exposition – no longer was assumed to be necessary in a Christian commonwealth. Men were left free to truck and barter at prices determined by mutual consent. A crucial break with an intellectual tradition that had been somewhat hostile to the free market was accomplished in 1676. Americans in peacetime would be left free to pursue their vocations as they chose, not as some governmental panel of "disinterested, distinguished persons" might choose.

— Footnotes —

1 On the optimism of the first generation of Puritans in New England, see Aletha Joy Gilsdorf, "The Puritan Apocalypse: New England Eschatology in the Seventeenth Century" (Ph.D.. dissertation, history, Yale University, 1966), esp. pp. 119-20. See also Iain Murray, *The Puritan Hope* (London: Banner of Truth, 1971).

2 J. Franklin Jameson (ed.), *Johnson's Wonder-Working Providence, 1628-1651* (New York: Barnes & Noble, [1910] 1952), p. 52.

3 Thomas Aquinas, *Summa Theologica*, II-II, Quest. 77.

4 Price competition broadens the scope of the market by making goods and services available to buyers formerly too poor to enter the market. It was the fundamental form of competition in the coming of modern capitalism: Max Weber, *General Economic History* (New York: Collier [1920] 1961), p. 230.

5 Nathaniel B. Shurtleff (ed.), *Records of the Governor and Company of the Massachusetts Bay in New England* (5 vols.; Boston: William White, Commonwealth Printer, 1853), I, p. 74. [Cited hereafter as *Mass. Col. Recs.*]

6 *Ibid.*, I, p. 84.

7 *Ibid.*, I, pp. 104, 159-60.

8 *Ibid.*, I, pp. 159-60: the maximum rate was 4d/s, that is, 4 pence per shilling, or 4/12, or 33%.

9 *Ibid.*, I, p. 160.

10 *Ibid.*, I, p. 183.

11 *Ibid.*, I, p. 223.

12 Richard B. Morris, *Government and Labor in Early America* (New York: Columbia University Press, 1941), p. 62.

13 J. Hammond Trumball and Charles Hoadly (eds.), *The Public Records of the Colony of Connecticut* (15 vols.; New York: A.M.S. Press, [1850-90] 1968), I, (1641), p. 65. [Cited hereafter as *Conn. Col. Recs.*]

14 *Ibid.*, I, (1650), p. 205.

15 Charles Hoadly (ed.), *Records of the Colony and Plantation of New Haven, 1630-1649* (Hartford: for the editor, 1857), pp. 35-36, 52, 55.

16 *Ibid.*, p. 55.

17 Morris, *Government & Labor*, p. 72.

18 Marrion H. Gottfried, "The First Depression in Massachusetts," *New England Quarterly*, XI (1936), p. 640.

19 T. H. Breen, *The Character of the Good Ruler* (New Haven: Yale University Press, 1970), p. 79. The debate raged for two years, 1642-44. The split occurred in 1644.

20 Emil Oberholzer, *Delinquent Saints* (New York: Columbia University Press, 1956), p. 189.

21 Bernard Bailyn (ed.), *The Apologia of Robert Keayne* (New York: Harper Torchbook, 1964), p. 51.

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22 *Ibid.*, p. 48.

23 James K. Hosmer (ed.), *Winthrop's Journal: "History of New England," 1630-1649* (2 vols.; New York: Barnes & Noble, [1908] 1966), I, p. 316.

24 Aquinas, *Summa Theologica*, II-II, Quest. 77.

25 Kai T. Erikson, *Wayward Puritans* (New York: Wiley, 1966), p. 16.

26 *Mass. Col. Recs.*, I, p. 326.

27 The colonies did impose various kinds of trade restrictions, including embargoes, government monopsonies, and so forth, which undoubtedly prolonged the depression.

28 Cf. *Trial* (May/June, 1972), the publication of the American Trial Lawyers Association.

29 *Mass. Col. Recs.*, V, pp. 59ff.

30 *Ibid.*, V, p. 79.

31 *Conn. Col. Recs.*, V, pp. iv-v.

32 Percy Greaves, "From Price Control to Valley Forge, 1777-1778," THE FREEMAN (Feb., 1972).

33 Gary North, "The Puritan Experiment in Common Ownership," THE FREEMAN (April, 1974).

34 *Acts and Resolves of the Province of Massachusetts Bay* (21 vols.; Boston: State Printer, 1869 .....), II, p. 166.

IDEAS ON LIBERTY

Price Fixing in Revolutionary France

THE ARGUMENTS in the convention relative to the matter ran the whole gamut from the principles of economic liberty advocated by the economists of the day to the radical abstractions of Robespierre and his followers, who swept commerce aside by maintaining that " the food necessary to man is sacred as life itself," and "The fruits of the earth like the atmosphere belong to all men."

One of the most interesting of the many suggestions made in the convention was that of Barbaroux who advocated "a plan to form local associations to collect and circulate information about the crops. In other words, for coercion he would substitute cooperation, believing that the French citizens, farmers and merchants included, would not turn a deaf ear to an appeal for common action against the oncoming peril" (famine). Price fixing finally became one of the characteristic features of the Reign of Terror, and when Robespierre and his councilors passed through the streets of Paris in the carts of the executioners the mob jeered saying, "There goes the dirty maximum."

HENRY E. BOURNE

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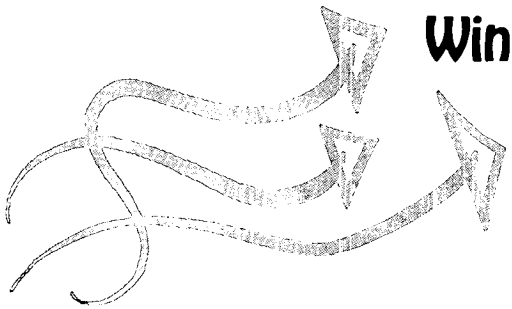

Windfall Profits

ROBERT G. ANDERSON

OF ALL aspects of the free market economic system, the role of profit-making by individuals is the one most subject to controversy. An air of apology seems to permeate any discussion of profit-making, even among those who generally commend the market society.

Companies seem duty-bound to defend their latest financial reports. Any increase in profits is contrasted with earlier periods of losses or "inadequate" profits. The relative smallness of profits is demonstrated in terms of capital invested, annual sales, or total wages. Public relations departments tremble over reported company success and gear themselves for the inevitable onslaught such favorable reports will bring.

Among the charges most feared is the accusation that the firm has reaped windfall profits. While "normal" profits might be tolerated, anything above so-called normalcy is invariably subject to public charges of exploitation. The implication subtly drawn is that windfall profits accrue as a result of someone else's losses. While the public might overlook small injustices, large profits are simply intolerable.

This massive assault on profit-making reflects a belief that profits are something extra, the elimination of which would result in a general improvement in human welfare, that profits are gained at the expense of others—"unearned" and "unjust."

This anti-profit mentality stems from a failure to understand the true nature and source of profits, the integral relationship existing

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between profits and losses, and their basic importance to the functioning of the market system. It is a failure to understand that an attack upon profits, even excess or windfall profits, is an attack upon the market system itself.

Within the framework of a free market price system, profits show which producers have best satisfied the wants of consumers. Profits appear as the result of actions taken earlier by those producers most successful in anticipating and serving the demands of the consumer. Profits demonstrate how well a producer has employed scarce resources in the past toward the satisfaction of consumer wants. Profits are a record of experience, a reward for satisfactory service rendered.

The process of profit-making, however, is not the same thing as the amount of profits recorded. Profits earned in the past serve as no specific guide for future productive activity, though the fact that they were earned may offer hope of future profits. Past profitable activity in a given form of production assures nothing about the future. Attempts to imitate activities that have been profitable have resulted in many business failures.

The opportunity for profit-making stems from the changing values of consumers over time, and the reflection of these changing values on prices. The individual who foresees correctly these developing changes in market prices, and acts upon his foresight, will be the profit-maker.

Adjusting to Change

If man were omniscient, or if his values were to remain static, the concept of profit and loss would not exist. But fallibility and change are part of the human condition and necessarily affect man's economic behavior.

Today's market prices are reflections of values previously held by consumers and of the production those values generated. The prices so established will be either too high or too low with respect to the market conditions of tomorrow, conditions which could only be known by knowing the future, which is impossible.

The profit-maker, however, must attempt the impossible. The uncertainty of the future overrides all human action. The fact that future prices are uncertain does not dissuade the potential profit-maker from acting.

It is this potential of profit-making that provides the entrepreneur's motivation and incentive for production. The entrepreneur identifies resources in today's market that he believes will possess a higher market value tomorrow. If

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his foresight about the future values of the consumers is correct, a profit can be realized. The magnitude of the profit will depend upon the degree of change in future market prices and the entrepreneurial decision to act on his foresight.

When the rise in prices is large, the entrepreneur holding the resources so affected will experience large profits. The identification of this development as excess or windfall profits has been grossly misleading. The fact that he did not anticipate the precise degree of change in prices is no basis for denying the owner of the resources his right to the gain.

The concept of windfall profit merely observes that large gains can be realized from drastic changes in consumer evaluations and their resultant impact on market prices. The owner of the affected resources experiences a dramatic and sudden increase in the value of his property. But, if consumer evaluations change in the other direction, market prices can just as suddenly and dramatically fall, causing windfall losses to the owners of resources so affected.

Windfall profits or losses simply emphasize the risk of productive activity resulting from the changing values of consumers. While the entrepreneur attempts to calculate future market conditions, he is not omniscient. An underestimate of future prices may yield him a higher profit than he had anticipated when he took productive action, but that same higher profit becomes the magnet for an influx of new competitive activity.

A Reliable Guide

With the profit and loss system as their guide, competing entrepreneurs decide how resources shall be directed for future consumption. Anticipated profitability attracts the productive capital of the entrepreneurs, but the ultimate profit is determined by the actions of the consumers. The entrepreneur's astuteness in judging the consumer's demands will decide whether profits or losses are to be realized by him in the future.

A significant contributor to a smoothly functioning market is the much maligned speculator. As an entrepreneur, the speculator acts in anticipation of the changing values of consumers. His buying and selling of resources creates a more orderly market, reducing erratic fluctuations in prices, and thus holds down the magnitude and severity of gains and losses. Accurate foresight by the speculator mitigates the errors of resource pricing and the consequent large profits or losses brought on by changing consumer tastes.

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Once profits are understood to evolve from the actions of the consumers, it becomes pointless to speak of profits as being "fair," "normal," "excess," or whatever.

The decision on how to allocate existing resources into future use is made by entrepreneurs on the basis of their interpretation of the consumer's actions in the market place of the future. Through a subsequent return of profits and losses to the entrepreneur, the consumer is constantly signaling entrepreneurs, as to how to direct scarce resources toward best satisfying consumer wants.

This relationship between the entrepreneur and the consumer is much like that of a revocable trust. The trustee-entrepreneur allocates resources for the benefit of the trustor-consumer, a relationship perpetuated by profits and revoked by losses. Through the signal of these profits and losses the consumer steers the producer.

The allure of profit-making is the catalyst for productive activity. Sparked by an entrepreneurial decision on the future state of the market, resources are continually being directed into hopefully productive use. The soundness of the original decision is reflected by profits or losses generated by the venture. Without some prospect that profits will substantiate the original decision, no productive activity would be undertaken. The problem of determining how resources should be allocated could not be resolved. There would be no response to the will of the consumer in the market. The market would be in a state of chaos.

The Fundamental Issue Concerns Property Rights

The real controversy over the concept of excess or windfall profits evolves over who should be the beneficiary of these subsequent unanticipated changes in market prices. The fundamental issue in this controversy is one of property rights. In a free market system the entrepreneur subjects his property to risk in a productive activity in the hope of generating a profit. If his judgment of the future demand of the consumers proves correct, his property increases in value, and he profits. The extent of his gain is thus determined by the consumer. In a market system of private ownership the gains would therefore accrue to the owner of the property.

Similarly, the burden of windfall losses is borne by the entrepreneur. If he directs his property into productive activities later rejected by the consumer's changing values, he is responsible for his erroneous decision. The sudden abstention from buying on the part of the consumers causes a fall in

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the value of his property and a loss to the entrepreneur. Within such a market system, the entrepreneur subjects his property to risk—to the gain or loss that accrues from the changing tastes of the consumer.

The notion that windfall profits accrue at another's expense or loss is patently false. They result from the same forces that bring windfall losses: changes in the values of consumers. Such windfalls result from future uncertainty, and should accrue to the owners who expose their property to the risks of production.

Profits or Losses Stem from Changing Values of Consumers

Once it is understood that profits and losses evolve from the changing values of consumers, it becomes obvious that abolishing windfall profits or windfall losses is impossible. Fallibility and change are a part of our nature, and both large errors and great changes are inevitable. To deny to the entrepreneur the gains or losses resulting from such error or change does not eliminate gains or losses; it eliminates entrepreneurs, disrupts the market, and ultimately leaves everyone under the dead hand of government control.

As long as consumers continue to express their changing values in the market place, profits, anticipated or not, will continue to materialize. The only question is whether the gain in the value of the entrepreneur's property should accrue to the owner or to someone else.

When the government attempts to make itself the beneficiary of windfall profits, it can only disrupt the productive processes of the market. The natural adjustments in supply and demand that occur in the free market are hampered, and further disequilibrium develops. The consumer's urgent signal for increased production, which is the essence of windfall profits, cannot be heard or acted upon by producers to whom the market is closed. The ultimate consequence must inevitably be even higher prices for the resources involved. Thus, the expropriation of windfall profits is not only counterproductive, but also denies the sovereignty of the consumer in the structuring of society.

If the individual as consumer is to retain his personal liberty, if he is to remain the sovereign force in the structuring of society, he must be free to reflect fully his changing values in the market place. This requires that the profit and loss signal must remain unhampered. For that is the only signal to which entrepreneurs can reasonably respond.

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BRIAN SUMMERS

The Role of Savings

ONE of the least appreciated aspects of the private enterprise system is the role of savings in increasing the wealth of all the people. That the savings of *some* can increase the wealth of *all* may seem, at first glance, paradoxical, so let us consider for a moment just what happens when an individual – call him Joe – forgoes a little spending to put a sum in the bank.

Some people say: "The money that Joe has saved is money that won't be spent. The decrease in Joe's consumption can only mean a commensurate decrease in production and a resulting rise in unemployment. Saving should really be discouraged."

Saving is a form of spending! Joe's money doesn't just sit in the bank; the bank must lend it to someone in order to earn money to pay Joe interest. This lending is not only a form of spending, it is, in fact, the only kind of spending that actually increases wealth: *investment.*

What happens when money is invested? Say a corporation goes to Joe's bank and borrows money to build a factory. The corporation then spends Joe's money on building materials, machines, tools, and labor. The money that Joe has saved winds up being spent just the same as if he had spent it himself. There is no decrease in production and no rise in unemployment. It fact, as we shall see, there is an *increase* in production and a *decline* in unemployment!

Soon the factory is complete. The corporation then proceeds to hire workers. Joe's savings have increased employment!

How does the corporation hire workers? By offering better conditions of employment than their competitors. Perhaps the most important condition – as far as workers are concerned – is the level of

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wages. In all probability, the workers in the new factory have been lured by higher salaries. Joe's savings, whether he realizes it or not, have increased the wealth of workers in a factory he probably has never seen.

"You said that savings increase the wealth of *all* the people. What about the 210 million Americans who don't work in Joe's factory?"

Competitive Bidding

Consider first the workers in competing factories. If these factories don't want to lose their workers to new factories, they had better raise their wages. Joe's savings have increased salaries throughout an entire industry!

As for workers in other fields, we should remember that most of them are potential factory workers. If you want to keep your best farm hand from going off to work in Joe's industry or taking a job that has been vacated by someone else who went off to work in Joe's industry, you had better give him a raise. Competition among employers means that Joe's savings, and the savings of millions of other Americans, raise the wages of *all* workers.

"That is still not everybody! How about people who don't work?"

Every man, woman, and child – worker and nonworker – is a consumer. The end of economic activity – saving, factory building, working, and all the rest – is *consumption.* We should always keep this *end* in mind. The higher wages we have talked about would prove meaningless if they didn't result in increased consumption.

Joe's savings benefit *everyone* because the factory, machines, and tools they helped build are designed to produce goods that consumers will prefer to those already being offered on the market. The corporation that borrowed money from Joe's bank took a financial risk because they think that they can satisfy consumers better than their competitors. In other words, they hope to give the consumer more for his money. If they fail, then the loss is theirs. If they succeed, then consumers consume more of what *they* want and thus enjoy a higher standard of living. The consumer – each and every one of us – is the final judge and ultimate winner.

"Savings seem to be pretty good after all. What should be done to encourage more saving?"

Instead of doing things to encourage saving, we should undo things that discourage it. In particular, the law itself is probably the greatest hindrance potential savers face. Let us make a brief survey of some of the ways in which the law discourages saving.

To begin with, people can't save money they no longer have. Every

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dollar that goes in taxes is a dollar that won't be saved. Add up all the taxes that Joe pays, and he may find himself withdrawing from, rather than adding to, his bank account.

Tax Disincentives

In addition to the general level of taxation, several specific taxes are especially discouraging to savers. Corporate profits taxes, capital gains taxes, and taxes on dividends and bank account interest hit the saver particularly hard and must be taken into account by every potential saver.

High as taxes are, government spending is even higher. The difference, of course, is "made up" by running fiat money off the government printing presses – inflation. And inflation, combined with other ramifications of over-extended government, is enough to give even the most devoted saver cause to rethink his frugal habits.

The saver sees inflation galloping along faster than legal limits on interest rates. Even though he actually has lost money, in terms of purchasing power, he finds himself forced to pay taxes on his "earnings."

The saver sees inflation increasing the paper value of his capital holdings. When he sells his holdings he must pay capital gains taxes – even though his "capital gains," in terms of real wealth, actually may have been capital losses.

The saver sees inflation increasing the replacement costs of capital equipment – machines, spare parts, tools – while depreciation allowances are determined by original costs. He finds that depreciation allowances have become inadequate to pay for new equipment to replace the old.

The saver sees inflation increasing the paper profits of his corporation. In particular, inventory "profits" – the difference between the cost of producing an item and the cost of later replacing it in inventory after it has been sold – are a direct result of inflation. Were all these inventory "profits" available for investment in new inventory, the corporation could at least hold its own. However, almost half these "profits," on the average, wind up as corporate profits taxes. Thus, the saver may find his corporation losing money and paying profits taxes at the same time.

Inflation itself, even without being combined with various governmental controls and taxes, is discouraging to potential savers. With prices rising, people are encouraged to make purchases before prices go any higher, rather than to save for future purchases.

This brief survey of ways in which the law discourages saving is, of course, by no means complete.

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However, I would like to conclude with one factor that can never be measured, but which is nonetheless very real. This is the factor of uncertainty. In recent years, the United States government has grown so interventionistic that every few months the president is announcing "strong new" economic measures. Who knows what is next? Already we hear congressmen calling for a virtual nationalization of oil companies. Who is going to invest under such circumstances? To complete the destruction of the American economy, the government does not have to expropriate the means of production. It merely has to make conditions so onerous and so frightful that no one will dare invest in private enterprise.

A free market, and the belief that the market will continue to be free, is all the encouragement savers ever need.

IDEAS ON LIBERTY

Sharing the Gains

ALL *economic gains must be eventually shared.* That is a basic principle of such broad application that it might be called a general "law of economics."

This is not socialism. It is the essence of the free economy. Nor is it "*re-distribution.*" It is plain *distribution,* or *diffusion* of wealth.

It works this way:

1. All business is done by agreement of some kind.
2. The agreements are voluntary.
3. Nobody agrees to anything unless he finds it in some way to his advantage.

These add together to make the essential reason why economic well-being is more widely distributed in the United States than it ever has been in any other country.

For in a free economy, everybody gets a share of the values other people have to offer. But they also have to share a part of the values they themselves have to offer.

HAROLD M. FLEMING

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The Blessings of Diversity

LEONARD E. READ

Were all alike, instead of free,
T'would mean the end of me and thee.

THERE is an old wheeze that goes something like this: "The whole world is queer but thee and me, and sometimes I think thee a trifle peculiar." The line affixes a bit of humor to a lamentable fact: most people are addicted to conformity. The truth? Were all like thee or me, all would perish. So, let's make the case for diversity.

The first part of the case is easy. Were everyone alike, would we be all men – or all women? There wouldn't even be an Adam and Eve situation, only an uninhabited Eden! Suppose all of us were identical in food preference to those who eat nothing but fish. The fish supply would diminish to the point that all would starve – or die fishing. A moment's reflection reveals the nonsense of be-like-me-ness as related to the strictly physical aspects of our lives – even were all identical to thee or me.

It is when we move from functions of the body to those of the mind that the case for diversity most needs to be examined. People, by and large, seem instinctively to resist the idea of diversity in thinking. Why do not others think and believe as you or I do? Had a person of my convictions lived in Athens twenty-three centuries ago, his disagreement with Plato's concept of a philosopher-king surely would have disturbed the great thinker, even as you and I tend to be disturbed by those who do not see eye to eye with us.

The philosopher-king idea assumes an overlord – absolute rulership – someone who will direct what millions of citizens shall do and how they shall behave. Thinking for self is precluded; the king will do that for us.

Until recent times, kingship – czar, der Fuhrer, the Mikado, a ruler by whatever label – was generally accepted as the only alternative to societal chaos. There had to be a ruler – despite the miserable record – or society would collapse.

Why the failures? Plato's implication is that power hitherto had not been united to wisdom in one man. Obviously, kingship is

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not to be trusted to power-crazed shallowpates. Plato's solution? Let only philosophers be kings! Then all of a nation's citizens would be blessed, being the beneficiaries of the king's wisdom.

Which Philosopher Should Have Control?

Now, just who is it that qualifies as a philosopher? How designated? There are two ways. First is self-designation. Though not aspiring to kingship, Plato no doubt thought of himself as a philosopher. Look around at our contemporaries. Observe the countless thousands, none of whom doubts his own wisdom; each in his judgment the perfect philosopher. And fit for kingship!

The second way to be labeled a philosopher is by popular designation. Reflect on those thus acclaimed, ranging from Confucius, Socrates, Plato, Maimonides, Machiavelli, Marx, Berdyaev, to several of our time. Go over the list – some 400 – read of their ideas and find one competent to rule our lives.[1] Not one remotely qualifies. No such individual ever existed or ever will. And the genuine philosopher, at least of our time, would shun rule, even if it were offered!

Granted, each of these philosophers was in search of truth. Their findings? No two the same! One came upon an idea here, another there; now and then a bit of truth, occasionally an out-and-out error, such as Plato's philosopher-king or Marx's "from each according to ability, to each according to need." The worst that could befall mankind would be to give any one philosopher the power to impose his limited vision on everyone else – including other philosophers. Each of us should strive to live by such wisdom as he can glean, while working to expand his vision. But there is no short cut to the attainment of this objective.

When one first reflects on the blessings of diversity in thinking, he might want to make an exception: should not the devotees of liberty look askance at anti-freedom thinking? Of what possible help are Marx and Engels and the countless other opponents? My answer: They are an absolute necessity to the furtherance of our ideal, to the attainment of our aspirations. Bluntly, there is no way to go uphill expect as there be hills to climb. In other words, we have no chance of moving toward or perfecting the freedom way of life short of obstacles to overcome – now and forever! It is in the discernment of error that

[1] See *The Treasury of Philosophy*, edited by Dagobert D. Runes (New York: The Philosophical Library, Inc., 1955).

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truth comes to light. The art of becoming is composed of acts of overcoming.

Let us suppose that no one today knows any more about the freedom philosophy than I knew some forty years ago. Heaven forbid! What jolted me awake? Not someone agreeing with me; it was the system of wage, price and exchange controls – the National Industrial Recovery Act. This was not exactly the philosopher-king, but almost as bad: the politician-bureaucrat. Knowing that to be wrong, I had to explore, look for, try to discover what is right. The wrong gave me a toehold, as we say; it served as a stimulant, a springboard. But for NIRA or some similar wrong, I might well have remained ideologically disinterested. So, was not the NIRA a blessing of diversity?

Nearly everyone can recall similar experiences, his thought processes stimulated by one or two wrongs. But how easy it is to believe that a few leaps upward in learning suffice. A momentary awakening and then falling to sleep again! Worse than falling asleep, however, is to harbor the illusion of journey's end, the thought that one's job is done.

During the past four decades, since shocked into awareness by NIRA, I have reacted to every anti-freedom notion that has come to my attention. This has been my "magnificent obsession." The reward? In all modesty, I am far better informed about such matters than I was some forty years ago. Yet, the road looms ahead, and I have much further to go.

To highlight the danger of stagnation, let it be assumed that I understand far more than I now do – that I have become better than anyone else! Arrival? Indeed not; whatever the stage, it is only the beginning. However far one travels from his beginning in ignorance, it is but a start toward the infinite unknown.

Hold the fantasy for a moment: that I have become better than all others. Then assume that the thoughts of everyone were identical to mine. A better world? No! Such would spell the end of human evolution or emergence – mankind in a state of stagnation.

To seek Truth is to pursue the Infinite. The more one advances, the further into the distance stretches the road ahead. The more one knows, the more he knows there is to know.

Human freedom is an aspiration, never to be perfectly achieved but, at best, only to be more closely approximated. Have no fear of diverse ideas. Welcome them! They are blessings, perhaps in disguise, but steppingstones, nonetheless.

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Competition:
Key to Consumer Dominance

BERNARD H. SIEGAN

REZONING to permit the construction of a major regional shopping center has been requested for a large tract of land located about fifteen minutes from where I live, and some of my neighbors are upset and the usual maneuvering and protesting are taking place. Some local officials have expressed opposition because the new shopping center, by creating additional competition, will diminish the profits of existing businesses within the city. It has even been suggested that merchants make a mass protest against the proposed center.

There is no doubt that the more business facilities in existence, the greater the competition each will confront. But this is about the worst reason in a free enterprise society to deny anyone access to the market. We live in a society which is highly dependent upon competition. We rely upon competition to protect the consumer and stimulate the introduction of new, more and better products and services. There is no governmental agency available to accomplish these vital tasks: nor can government benefit the consumer and society even remotely as well, as any traveler to the socialist countries can confirm. The consumer is king when competition abounds; he is a serf when it is controlled and restricted.

A new shopping center will have to provide something better or different to attract customers — and the older centers may have to change their methods and improve products and services to keep

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pace. For consumers, the result will be some or many lower prices and larger varieties and better selections. Life will be made that much easier and more comfortable for many people.

A Competitive Society

The concept of open competition is innate to this country, as evidenced by the antitrust laws which are intended to make the deliberate elimination of competition a crime. If, for instance, several builders within a city were to agree to build a small number of apartment buildings and to prevent any others from being built, laws would quickly be adopted, if they did not exist, to dissolve this agreement and possibly even penalize the parties involved. This is because such an agreement would give the initiators special economic powers.

Zoning accomplishes the same result when it limits construction or development. The owners of existing buildings would in either stuation be able to charge higher rents and/or offer poorer services and/or avoid undertaking repairs and improvements.

But it might be said, perhaps there might be too much, or "cut-throat" competition and we need zoning to save us from such a fate. The answer is that there can never be too much competition from the consumer's vantage point – and everyone is a consumer. Businessmen who voluntarily enter a market should bear the risk of competition; they can take into account this risk when they commit their funds. Moreover, why should those who are part of the market be given preferred status over those who want to enter it?

Nor is it possible for anyone to determine the "correct" amount of business competition. There are always many uncertainties in the business world and it is difficult to evaluate precisely market conditions pertinent to any proposed development. Future economic and population trends are exceedingly difficult to project accurately for any one area, and this is compounded by changes in demand caused by the shifting desires and needs of people, all of which may glut or unglut a market. This is a risk that can much better be borne by entrepreneurs than by consumers.

Those who invest their money have the greatest incentive and are consequently in the best position to estimate this risk, and that includes both the developers and their lenders, for all large projects require major long-term financing.

To return to the case of the proposed shopping center – many of the owners of existing businesses must contemplate it with

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as much delight as they would an impending hurricane. Self-interest would dictate opposition to any additional competition.

And unfortunately, such self-interest has often been a major factor in zoning decisions; businessmen have frequently used overt or covert influence to try to kill a proposed rezoning that would create more competition. Would-be developers can also be expected to exert similar efforts and, regrettably, the outcome of the competition for the favor of the local politicians may determine whether development will occur.

Some contend that this state of affairs must be tolerated because zoning regulations will in the long run provide for better quality, both materially and environmentally. What such a stand fails to comprehend are the benefits achieved by society whenever new development occurs in a highly competitive market.

Consider this example. Because it is not zoned, the apartment market is exceedingly competitive in Houston and there is usually a significant vacancy rate. Yet new buildings continue to be erected even in the face of such difficulties. Why? Because the owner or developer of a new project believes that he can provide something different or better than what is currently available, and will be able therefore to attract people to buy or rent his housing in preference to his competitors'.

He has detected some void in the market and believes he can satisfy it and still obtain a profitable return. This may involve providing more amenities, larger rooms, more recreational facilities, more open space, better aesthetics, or perhaps lower rents. It requires skill, ingenuity, innovation and much time and effort on the part of the developer, yet the community is likely to benefit as much or more than he does. In this manner, society is rendered enormously valuable services without cost.

This process has led to the very high standards of living in this country. To restrict it is to substantially retard the progress and well-being of our society.

IDEAS ON LIBERTY

Anti-Social Behavior

THE COVETOUS PERSON lives as if the world were made altogether for him, and not he for the world; to take in everything and part with nothing.

CALEB C. COLTON

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In Quest of JUSTICE

RIDGWAY K. FOLEY, JR.

MANY THINKERS, jurists, philosophers and statesmen have searched across the centuries for the meaning and content of justice. Like many open-textured concepts, the essence of the word has proved elusive.

Justice should be constrained to a consideration of interpersonal relationships and should exclude relationships between man and the universe.

However, such circumscription suffers one potential hazard: it excludes man-to-impersonal-object or nonhuman relationships. For example, our categorization eliminates consideration of justice *vis-a-vis* the hypothetical situation where a man kicks a friendly dog, drowns a kitten, or teases a bird. Upon reflection, the suggested boundaries demonstrate no impediment to analysis of justice.

First, mistreatment of animals belonging to (the property of) another human being finds inclusion in the human relationships posited. If I drown your pet kitten, I exhibit malice toward you in a subtly different way than if I punch you in the nose, but malice all the same.

Second, man-non-man relationships manifest something concerning the nature of man-the-actor; the characteristics impelling one to kick a dog or to torture a horse generally reveal themselves in other human affairs. Thus, exclusion of the specific example does not necessarily exclude consideration of the fundamental attributes.

Third, human-impersonal object liaisons probably do not deserve consideration within the ambit of the notion of justice. Rather, my treatment of spiders, of forests, of farmhouses, and the like (beyond any incidental human relationships) concerns my goodness and my essential nature. As such, the matters rather become issues for determination between me and my

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God; in other words, they relate to justice in the broader sense, that is, justice beyond the power of man to effect and affect. Thus, man can affect events in this milieu to the extent that he can alter his life and mold his character to conform to the nature of the universe, but he has no power to alter the standards and norms which measure that nature. Justice, as we are concerned with it in this essay, considers only relationships between two or more human beings where the conduct of one can affect the life of another.

Justice: The Seminal Norm

One quality, above all others, distinguishes man from other inhabitants of this planet: he possesses the power to make choices (reasoned decisions between alternatives) and each choice he makes constitutes a moral choice.

Concomitant to this quality exists the power of man to affect the lives of his fellow human beings. Man can attract, persuade, or force other men to act in the way he desires them to act. Man's choices affect not only the actor but also other persons resident, now or at other times, upon the landscape. In a very real sense, what I do today can expand or limit the choices available to those in my community and to those who may come after me.

Thus, we can define justice as respect for free choice. Justice demands that no man interfere with choices affecting the life, liberty, or property of another human being by coercion, fraud, or duress. Each man must be left free to determine his own destiny, to seek his own goals, to live his own life as he sees fit. No one *can* effectively live a life for another and none *should* try to do so. Spoken in another manner, each individual should always treat other human beings as human beings, never as objects. To treat a person as a person compels the actor to respect the essential humanity of his fellows, and that essential humanity can be defined as one's right to choose. Each person exists as a child of God, and deserves that treatment and respect which should be reserved for the Creative Energy underlying creation, whether termed a personal God or an impersonal natural law.

Justice obligates man to eschew violence and to stress attraction.[1] Human beings may justifiably employ force in limited circumstances: to repel invasion, to quell insurrection, to impede the imposition of force and fraud upon un-

[1] See Read, Leonard E., "How to Advance Liberty" (The Foundation For Economic Education, Inc., Irvington-on-Hudson, New York, 1964).

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willing combatants, and to settle disputes. Writ large, force should only be utilized to parry force. "Might does not make right" underlies the whole proposition. Moreover, one should only employ that amount of force necessary to discourage or rebuff the violence initially practiced; any greater application represents a coercive intervention into the arena which must be left unfettered to the choice-making apparatus of free men.

Justice Reflects the Nature of Man

At least three conflicting views of mankind find current acceptance in political philosophy. For ease of analysis, we may refer to these as statism, anarchy, and voluntarism.[2]

Quite possibly, no imperfect human being perfectly fits the category of statist, anarchist, or voluntarist. Each of us may profess principles to which we aspire, and from which we fall short. Thus we speak of a statist as one who believes in state intervention into the lives of men, to some degree beyond the intervention accepted by the voluntarist which is solely to repel force and fraud. Obviously this appellation does not apply with equal zeal to each person;[3] it may seem ill-conceived to apply the identical brand to Marxians, democratic socialists, and to businessmen who favor subsidies and price controls. Yet each, in his own way, represents the point of view that encourages state action to deprive free men of free choice. For sake of the present analysis, then, statist refers to one favoring partial or total state intervention in human affairs beyond the prevention of force and fraud, anarchist refers to one who decries all states and all state activity, and voluntarist refers to one who believes that the state possesses limited valid functions: the prevention of force and fraud and the administration of common justice.

An individual's conception of justice mirrors his view of the nature of mankind. To the statist, man represents a perfectible being, capable and suitable for molding by the social engineer. Each person possessing this philosophy, in greater or lesser dimension, sees man as an object, as a creature whose choice may be limited with justification and impunity. To the

[2] I refer to a voluntarist as one who accepts a limited government, a state employed to discourage coercion and misrepresentation and to provide for common settlement of disputes. "Freedom philosopher" and "libertarian" have often gained favor as synonyms, but at least the latter has been recently coopted by all manner of thinkers, rendering categorization most difficult.

[3] The use and application of labels in the political spectrum merit separate treatment.

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extent that he adheres to such a tenet, the statist treats man as something less than human.

The anarchist likewise views man as perfectible, but as voluntarily or self-perfectible. Because man can achieve these heights, the state represents an unnecessary appendage to society. Justice would not countenance the use of organized force for the anarchist – man must retain a full circle of alternatives, even to the extent of visiting violence upon his neighbors. While a single paragraph cannot reconcile the pacifistic anarchist view with the concept of private justice and retaliatory force, and while such a subject merits deeper inspection,[4] suffice it to say that the anarchist sees man as so perfectible that no constriction of his range of alternatives accords with justice, so long as the actor remains willing to accept the physical, natural, and moral consequences of his choice.

The voluntarist holds quite a different view of human nature and occupies a perch midway between statism and anarchy. He perceives of man as fallible and imperfectible, although capable of improvement. Because no person can achieve perfection, or even closely approach that ideal, no individual from the mass can, or ought to, dominate the life of another, equally infinite, individual. Since man retains a dark side, a predilection to violence, and fails to act with perfect reason, force lurks pervasively throughout the world. Force may be reasonably rebuffed only by organized force, else man's lot degenerates into civil chaos. Private retaliation invites a misreading of the situation and misapplication of coercive power; misapplication of force invites retaliation when the retaliatory force exceeds that which is necessary to allay the fraud and coercion initially instituted. Examples of misuse of private force litter history books: private armies, vigilante systems, and private detectives, acting without restraint of law, seem predisposed to avoid charity and deny recognition of personal rights. Private systems of protection and the settlement of disputes depend upon a perfect rationality by at least the vast majority of citizens occupying a given territory. The voluntarist doubts that man can achieve that station; until he does, man's nature requires a limited collective force in accordance with a respect for free choice.

A Fundamental Premise: Man in Conflict

Almost all individuals, whatever their persuasion on the polit-

[4] See, e.g., LeFevre, Robert, "Justice on Trial," *Reason* (Vol. 3, No. 11) February 1972, page 18.

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ical or philosophical spectrum, agree that human beings conflict and disagree with one another. An imperfect being can anticipate no other result. Some men cannot conquer their sinister side and exhibit a proneness to violence and deceit. Choice, the most individualistic attribute of human nature, presupposes that choosing beings will pick alternative courses of conduct, and that with billions of persons exercising free choice, some conflict of choice will be inevitable.[5]

Most human conflicts resolve by voluntary means. I meet you on the sidewalk and one of us steps aside to allow the other to pass. My stereo disturbs your slumber; I reduce the volume willingly when you ask. Doe and Roe both reach the bargain counter at the same time and each wishes to purchase the last remaining item; the sales clerk makes an immediate choice to sell to Doe, thinking that he appeared first and Roe, while disappointed, turns away. Clearly, the more voluntary accommodation possible in society, the better.

Nevertheless, some conflicts do not afford a simple resolution, because of the rational difficulty of choosing between the two or more conflicting claims, or because of the imperfect personalities of the participants. The statist tends to view more conflicts as incapable of solution by voluntary means than either the anarchist or the voluntarist, and he exhibits no hesitancy in calling in the troops to coercively decide each and every issue the way some group in power believes that it should be solved. Such fetters manifest little or no respect for free choice and can be characterized as unjust.

The anarchist and the voluntarist, on the other hand, believe in the voluntary settlement of disputes in the widest possible degree consonant with good order. They differ in the mechanism to be utilized in solution of disagreements irreconcilable by voluntary means. The voluntarist opts for a limited government function – the forceful administration of justice – which will settle controversies which the parties cannot settle themselves and which will compel acceptance of the decision. The anarchist favors voluntary arbitration and private courts, apparently believing that the presumably rational parties will accede to the jurisdiction of these tribunals and accept an unfavorable decision. Practicing lawyers and experienced litigants display familiarity with

5 Such is the nature of freedom that millions upon millions of value judgments and choices cause basically little conflict. Freedom works better than coercion because it approaches Infinite Truth. See my essay "Choice or Chains" (April 1974 *Freeman*) for an examination of this phenomenon.

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recalcitrant parties who refuse to pay judgments voluntarily or to answer questions on cross-examination or who disrupt courtrooms with obnoxious conduct. Absent sanctions and an agreement to disagree as rational beings, voluntary arbitration and private courts offer no compelling answer to the problem.

In any event, individuals illustrating all phases of the spectrum recognize the need for rules to settle disputes, in either a private or a public milieu, and that such norms must accord with justice. The statist sees more disputes subject to arbitrary and coercive determination than his brethren, but this in no way gainsays that need for rules of decision. The anarchist wishes contests adjudicated by private agencies, but such tribunals must decide on the basis of rules harmonizing with justice. Let us examine certain fundamental principles which accord with justice as respect for free choice, rules which can produce a voluntary society upon faithful adherence, recognizing that one cannot exhaustively state all premises and qualifications appropriate to these norms in so short a space.[6]

[6] Many of these concepts are open-textured and require definition, which will not admit of perfect solution. See Foley, Ridgway K., Jr., "The Myth of the Perfect Solution," 23 *Freeman* No. 2, 104, 111-113 (February, 1973).

Justice: The Subsidiary Norms

• *Each man should keep his promises.* Freedom to contract with regard to all manner of activity carries with it an interrelated aspect, similar to the fact that individual responsibility serves as the reverse side to personal liberty. Every man should be required to adhere to his solemn promises to the extent permitted by external forces and to the extent that another human being has justifiably relied upon those promises, if the promise was not initially extorted by force or fraud.

Application of this rule does not denigrate free choice: it respects it. If one voluntarily chooses a course of conduct affecting another person, the actor has predetermined a result and should not be heard to mulct the other party of his due. One can refuse to contract altogether, but once he enters into a contractual relationship he must be held bound by the terms of the agreement he actually entered, and no other.

• *Every individual should pay for harms voluntarily caused.* If man receives the right to act freely and to choose his own destiny, it follows that he must accept the moral responsibility for his choices. One result of free choice

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witnesses occasional collisions between conflicting human beings. If one voluntarily acting human being causes harm to another person by virtue of fault, be it an intentional or careless act, the actor should be required to compensate the victim to the extent of his harm, and no more.

Problems of causation, fault and amount of damages have plagued legal theorists for centuries, much as the problems of the implication of promises and the objective manifestations of assent. Mankind cannot fully know and appreciate the interweaving of cause-and-effect, nor can it recognize all avenues of fault without looking inside the human mind and soul, nor can it measure the harm directly attributable to a single act. Each problem can be solved only by finite approximation applied by fallible judges. The principle serves as a lodestar to be sought as an ultimate goal.

• *Each individual should pay his own way.* Every choice carries with it a real cost, sometimes clearly apparent to an observer, sometimes hidden and awaiting analysis. As nearly as possible, each choosing human being should accept the consequences of his conduct, and one consequence is the cost. Homely put, "there ain't no such thing as a free lunch." Someone must pay. A welfare payment or a subsidy puts money substitutes in the pocket of certain citizens, but it requires a taking from others in the community. Minimum wage laws force marginal workers from the market and deprive them of (cost them) their dignity. Examples proliferate. Application of this precept requires assessment of real cost in terms of Bastiat's dictum: The Seen and The Unseen.

• *No one is entitled to a windfall.* Administration of justice should prevent unjust enrichment. Just as each man should pay his own way, he should pay no more. If mischance or external forces occasion a loss to one person and a gain to another without a voluntary trade, the office of law should be to restore the parties to their preexisting status.

• *The creator of value should determine its retention and distribution.* Man *creates* value. He applies his mind and his labor (direct or stored [capital]) to natural resources and produces goods and services which carry with them a subjective value. Thus, man also *assesses* value. Nothing material can be said to possess an inherent value absent relationship to a human being. Individuals place value on goods and services;

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they express that value by the value they have acquired which they are willing to trade for those goods and services.

The value discussed, sometimes denoted property, belongs to the creator (owner) or his designate. Thus, justice must recognize the right to private property in order to respect free choice. An essential collateral tenet of justice impels that retention or distribution or destruction of value must rest with the creator of that value or his transferee or nominee.[7] Man denies justice to the extent that he sanctions nonproducers who dominate or destroy value created noncoercively by others. Just as man must pay his own way, so also must man not be compelled to pay someone else's way.

• *Each citizen of a state should bear an equal share of the expense of governance.* Each individual citizen residing in a territory designated a state should bear an equal share of the common burden which includes the expense of administering that state. He should pay for any services directly rendered to him at his request. Each citizen benefits from the protection rendered by the state and from the alleviation of civil chaos and no one can properly claim that one person acquires a greater benefit than another. In addition, any citizen receiving a direct benefit at his request should pay his own way, including payment for such a service.

• *No individual or group of individuals should initiate force or employ fraud against others.* Only one man-concocted limitation upon free choice deserves respect: no man, acting singly or collectively, should act fraudulently or coercively toward his fellow man. To the extent that he violates this maxim, justice approves application of counterforce by the victim or by society at large, but the retaliatory force must not exceed that amount absolutely necessary to dispel the initial act else the retaliator, individual or state, becomes the aggressor and violates this norm.

• *Treat similar instances in similar fashion.* Anglo-American common-law tradition rests in part on the ancient concepts of *stare decisis* (the matter has been decided before) and *res judicata* (the thing has been determined previously). These Latin legal tenets represent application of the fundamental norm that similar situations or disputes should be

[7] See Read, Leonard E., "Justice versus Social Justice," *Notes From FEE* (The Foundation For Economic Education, Inc., Irvington-on-Hudson, New York, May 1972).

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decided in harmony or like fashion with other disputes of the same nature, involving either the same or different parties.

Similar treatment of similar situations finds justification in several reasons.

First, the norm rests upon the principle of predictability. Citizens ought to be able to plan their lives in full knowledge of the consequences which will attach legally to their conduct.

Second, the rule finds support in the concept of reliance. In substantive commercial and contractual areas of life, where planning performs a salient function, parties ought to be able to rely upon certain results as a consequence of their actions.

Third, earlier decisions contain the accumulated wisdom of the ages. The law builds on past experience and should not be lightly disregarded. Once courts of justice carefully consider a case and render a reasoned decision, transient causes ought not disturb the principle determined.

Fourth, failure to adhere to decided rules increases the costs of the administration of justice. Absent the effective role of precedent, more cases containing recurrent issues will have to be decided by trial and appellate courts.

Fifth, the sound use of precedent promotes a government of settled laws, not rule by finite man. A consistent result from case to case follows in the Anglo-American tradition as opposed to the civilian or Continental system which disregards *stare decisis*.

Sixth, in any jural system or decision-making context, a natural tendency exists – the human inclination to look over one's shoulder to discern what was done before. The doctrine of treating like cases in like manner recognizes this tendency by providing an orderly method for use of past experience, a convenient tool for quickly and easily disposing of disputes.

Seventh, finally, and most importantly, adherence to precedent accords with the essential nature of justice, respect for free choice. Decisions once reached upon a rational basis should not be lightly overturned. To do so alters our government from one of laws to one of men. A flexible "rule" is no rule at all, but amounts to measuring "justice" by the length of the chancellor's foot. Respect for free choice impels recognition of the consequences attaching to the operation of that choice-making power, and if these consequences can flow willy-nilly without predictability, man denigrates the essential humanity of his fellows and bears no responsibility for his moral choices. One cannot meaningfully choose unless his

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choice can affect and effect results.[8]

• *Adjudge all men equally before the law.* Interrelated with the concept of deciding similar cases in similar fashion, justice also requires equality before the law. In those arenas in which law (organized coercion) plays a salient role, each man must receive identical treatment. Favoritism does not belong in a just society.

One must scrutinize this norm with caution and avoid the misapprehension so common today. Modern society witnesses a false egalitarianism stemming from misuse of the words of the Declaration of Independence ("all men are created equal") and brought to fruition during the French Revolution ("Liberty, Equality, Fraternity"). Men are not equal; their distinction and their individuality represents the vitality of the human race and an essential attribute of mankind. Men possess different appearances and differing talents, distinct life spans and dissimilar values. Enforced equality means enforced mediocrity, where all individuals are cut and stretched to fit Procrustes' Bed. Coerced egalitarianism demands application of destructive force to individuals and, except in the limited areas of prevention of fraud and force and administration of justice, justice disparages the use of force.

Equality before the law imposes a burden upon mankind, acting as a coercive state, to provide both substantive and procedural due process to all citizens *vis-a-vis* interpersonal and individual-state relations. For example, no man shall be tried for a crime *in absentia;* each man is entitled to his day in court in both civil and criminal causes; every citizen is entitled to fair notice and a complete hearing before a competent and unbiased tribunal; rank and station shall not determine application of sanctions; open trials prevail over secret Star Chambers; norms should not apply retroactively. A host of protective and preventive rules assure that each man brought to trial and faced with potential loss of freedom will receive equal treatment to other individuals similarly situated.

Conclusion.

Justice lies within. It represents an ideal toward which we must strive in our relationships with fellow human beings. If each of us will treat each other human being as a person, and respect the essential humanity of that person by respecting his right to free choice, we will achieve justice.

[8] See essay cited in footnote 5, *op. cit.*

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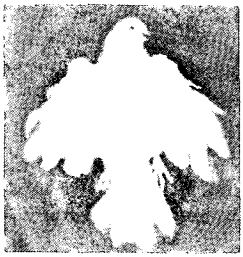

Peace and Justice

DEAN RUSSELL

PLATO sought peace and justice in the person of the "philosopher king" whose edicts would be enforced by the warrior class.

This search for the philosopher king is still with us today. He's now called the "good man" – and when he gains the power of government, it's presumed that he'll enforce just laws justly, and will thereby bring peace.

For guidance on the use of power, and its effect on peace, I recommend the famous dictums of Acton and Emerson:

"All power [even the power of a teacher over his students] tends to corrupt; and absolute power corrupts absolutely."

". . . means and ends . . . cannot be severed; for . . . the end pre-exists in the means. . . ."

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For example, if force is used by one person against another, the objective of the user of the force is to use force, i.e., to compel the other person to do something he doesn't want to do. And the means used to compel action by an unwilling person must necessarily involve the use of force in one form or another. Means and ends are here not merely similar; they are the same thing.

Likewise, if a person's objective for another person is freedom of choice, the means to implement his objective can be nothing but voluntary action. Again, means and ends are the same thing. Or as Emerson phrased it, "the end *pre-exists* in the means."

Of course, this correlation of means and ends has no bearing on the tendency of all of us to rationalize and justify *our* particular

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use of force. And most unfortunately, it's this rationalization of the act (not the physical act itself) that the user of compulsion prefers to announce as his objective. For example, the robber claims that he's only getting back what has been exploited from him by society; therefore, his objective isn't robbery but justice. And the president of the United States seems sincerely convinced that he's merely performing his duty to preserve freedom for everyone when he advocates and enforces conscription. But after all the rationalizations are advanced and tabulated, this undeniable fact remains: When one uses force, that's precisely what he has in mind; else he wouldn't use it.

The First Step

If means and ends are the same thing (as Emerson and I believe), and if all power of every kind tends to corrupt (as Acton and I are convinced), then the current efforts for peace and justice in the United States, and in the world in general, are not soundly based. Since these efforts mostly ignore the above postulates, they are no more likely to succeed today than they have succeeded in the past. While the actual fighting by various organized armies may cease temporarily for various reasons (e.g., Israel and Egypt in 1967-73), real peace is still not gained; and, of course, justice is a matter of opinion.

The first step toward peace is for each person to be peaceful. This is a decision that any person can make whenever he wants to. If all persons were peaceful, then peace would exist; and along with it, there would then also exist as much justice (an undefinable emotion) as we fallible human beings are capable of understanding. Since peace and justice must necessarily begin with a unilateral decision by one person alone, I have decided (without consulting anyone) to live as follows:

I will never use (or advocate the use of) force or violence or compulsion against any peaceful person. I won't even advocate the passing of a *law* that will force any peaceful person to follow my concepts of how people should live and act.

Necessary Controls

Of course, I'll still campaign for laws against murderers, polluters of the common water supply, and molesters of children. And I will also continue to advocate compulsory traffic regulations designed to help all of us equally to get to our destinations. Laws such as these, however, are not in any way violations of my pledge toward peaceful persons.

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I will do unto others only what others want done unto them; and if what they want done isn't what I want to do, then I'll at least have the common decency to leave them alone. This philosophy of life grew out of my early experience as an evangelist to whom no one would listen, thus causing me to wish for a law to compel other people to live right, that is, the way I was living and wanted them to live – for their own good, of course.

In short, my contribution to peace is to be peaceful, and my contribution to justice is to stop advocating laws to make other people live as I do. If you care to join me in peace – and this concept of justice – welcome; that will make two of us who have decided to be peaceful.

There's no organization to join, no armband to wear, no action programs of any kind. And the only immediate reward is the possibility of an internal peace that sometimes comes to a person when he stops using and advocating compulsion against any peaceful person, even for the latter's own good.

IDEAS ON LIBERTY

A Controlling Power

MEN ARE QUALIFIED for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as their soundness and sobriety of understanding is above their vanity and presumption; in proportion as they are more disposed to listen to the counsels of the wise and good, in preference to the flattery of knaves. Society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things, that men of intemperate minds cannot be free. Their passions forge their fetters.

EDMUND BURKE, *A Letter from Mr. Burke to a Member of the National Assembly in Answer to Some Objections to His Book on French Affairs*, VGTV.

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LEONARD READ is the very antithesis of the arm twister. He does not teeter on your lapel to shout in your ear. But his phrases, gently repeated in his wisely ruminative essays, do succeed in grabbing people. There is his reiterative use of the phrase "the freedom philosophy," for example. Pundits have spent many hours trying to figure out a modern substitute for the once-honorable word "liberalism," which has been stolen by the collectivists. The best the pundits have been able to come up with is the clumsy word "libertarianism." It doesn't quite fill the bill — and I have noticed that people like Professor Ben Rogge of Wabash College, who is himself the complete libertarian, now use the phrase "the freedom philosophy" to indicate their body of beliefs.

In his latest collection of freedom philosophy essays, *Having My Way* (Foundation for Economic Education, $4.00 cloth, $2.50 paper), Leonard Read tosses off the word "dictocrat" on page eleven. It was a new coinage to me, and I placed a check beside it. Further on in the book Mr. Read made an adjective of it, "dictocratic," using the adjective three times within three pages. Rather good, I thought. "Dictocrat" covers a multitude of characters who try to get their way by force, including the force of seizing other people's money to pay for their

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experiments. "Dictocrat" brings out the common strain that you will find in Communists, Socialists, Anarchists-of-the-deed, Social Democrats, Majority Rule fanatics, Planners, Collectivists, and what-not, including all the many varieties of Progressive or Liberal (modern sense) who need forgiveness, for they know not what they do.

Let me hasten to say that Mr. Read is not being pejorative in his use of "dictocrat." He doesn't pin it on specific people, knowing that to do so would only succeed in alienating possible converts to his own freedom philosophy. Mr. Read has his Marquis of Queensbury code. He uses the word in a coolly scientific spirit. A "dictocratic scheme," to him, is the antithesis of a "free market scheme." That is all there is to it, and it is enough.

Economics and Morality

The older he grows, the more Leonard Read thinks that economics must be considered a branch of moral philosophy. If one does not have moral scruples in the market place, one will inevitably distort the processes of production and exchange. If, by using interventionist compulsions, you take more out of the system of exchange than you put into it, you will be guilty of diminishing productivity and multiplying scarcity. This, to Mr. Read, is thievery. Try as he may, Mr. Read cannot imagine a society totally composed of thieves: parasites, he says, die in the absence of a host. He is forced to conclude that economics and morality depend on the same values. Since they do, there is little sense in talking about keeping economics "value free."

With morality on his mind, Mr. Read is more concerned with what the interventionist, or dictocratic, philosophy does to bring injustice to individuals than he is with the usual statistical expressions of economic thinking. Above-market wages and below-market hours create unemployment, a statistical category. But this is the cold, "value free" way of putting it. Mr. Read prefers to emphasize that minimum wage laws make the relatively poor suffer. They become victims of a legally sanctioned form of theft.

The Power of Example

Mr. Read would object to any characterization of his essays as sermons. A sermon is a form of intrusion – the dictionary defines it as "a lecture on conduct or duty," or as a "homily." Leonard Read lectures no one; he writes, so he says, to clear things up for himself in order that he may get on with his own life-project of

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trying to perfect his own understanding. If he can improve himself to the point of becoming an example for other people, then so much the better. But he does not mean to be intrusive. He has found that the surest way of scaring people off is to set out consciously to do the other fellow good.

For all his lack of intrusiveness, however, Mr. Read conducts a very subtle pastorate. He preaches the Word by redefining it. As he becomes older he finds himself going more and more back to the roots of language. He cannot believe that it makes sense to let the "meek" inherit the earth if the meek be defined as "timid, shrinking, apologetic" Casper Milquetoasts. But, traced back through Greek to its Aramaic original, "meek" becomes something different. As Gerald Heard has said, the word stands for something opposite to "overbearing" or "aggressive." "Meek" suggested itself to the King James translators because, in Elizabethan usage, it implied a "wonderful, inherent, teachability." So the Beatitude should read, "Blessed are the teachable, for they shall inherit the earth." As for the meaning of "earth" in this context, Mr. Read is reasonably sure that it relates to "man's earthly potentialities."

Learning from Mistakes

Mr. Read is always willing to change his mind, if his pursuit of root definitions leads him to believe that he has been wrong. Once he believed that it was "unfortunate" that inequality should exist. Now he considers it would be a terrible misfortune if everyone could be made equal. We all benefit from the discoveries of the gifted. True, people should be regarded as "equal before the law," but this very equality must mean that crooks and murderers will be treated differently than honest men. It is not even true to say that everyone is "equal in the sight of God." The Deity is not to be insulted by implying that Judas Iscariot could be the "equal" of Peter when called before the Heavenly bar. God, says Mr. Read, should not be condemned as nearsighted.

In talking about willingness to confess past errors, Mr. Read tells a remarkable story about his encounter almost thirty years ago with John Maynard Keynes. He had invited Keynes to oppose J. Reuben Clark, President of the Church of Jesus Christ of Latter-Day Saints, on the subject of the U.S. foreign aid program. Keynes declined the invitation, saying "My mission is to obtain the British loan. Were I to stand before

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your audience and say what I *now* think, which is what I would do, I would disparage my mission."

This is historically very interesting. It accords with Keynes's praise of Hayek's *The Road to Serfdom*. Mr. Read doesn't want to single out Keynes as being alone in the fault of refusing to make public a confession of error. But, in view of the harm that "Keynesian" economics has done the human race, I hope Mr. Read's historical revelation will be read on the campuses where Keynes is still regarded as the master.

▶ THE ENTERPRISING AMERICANS: A BUSINESS HISTORY OF THE UNITED STATES by John Chamberlain, new and updated edition. (New York: Harper & Row, 1974) 283 pages, $8.95.

Reviewer: *John Davenport*

THE REPUBLICATION of John Chamberlain's *Enterprising Americans* comes at an opportune time. Businessmen all over the world find themselves under attack and thus far, judged by public opinion polls, have had little success in meeting their critics. One reason for this failure, it seems to me, is that business is still portrayed by friend and foe as a kind of special interest group entitled to a fair share of profits, just as labor is portrayed as a separate group entitled to its fair share of wages and salaries. Our social philosophers have succumbed to the disease of "groupitus" which makes them advocates of ever stronger government measures to "countervail" the power of highly organized and contending minorities. At the end of the road looms some form of the corporate state.

This is the Galbraithian view of things and Mr. Chamberlain will have none of it. In his preface he defines business as "creative busy-ness" that includes just about everybody from factory worker and farmer to manager, investor and entrepreneur. From this vantage point he then traces American economic development from pre-colonial times forward. The result is a rich and many-plied story focusing on the inner dynamics and motivations of men who transformed a continent into a highly industrialized society which, for all its faults and current problems, still gives its citizens a better shake than any other society in history.

In the foreground as the tale progresses stand certain prime movers,

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familiar to most college students though all too often portrayed in unflattering terms – Henry Ford, Andrew Carnegie, J. P. Morgan, Rockefeller, and the genius of Edison. But interwoven in the story are other aspects of America all too often forgotten in our haste to deify, or more often today to villify, the work of the titans. We watch William Pepperrell of Kittery, Maine, transforming the rocky shores of New England into a jumping-off-place for ships and world-spanning trade. We are reminded of the effects in Montana and the Dakotas of Sam Colt's revolver and his development of mass production methods. The du Ponts of Wilmington back a scientist, Dr. Wallace Crowthers, and we have nylon and the artificial fibers which today largely clothe a nation. Bell Laboratories and Dr. William Shockley perfect the tiny transistor, and lo! – we enter the age of the computer – not to mention the space rocket and satellite probing the far reaches of Mars and the universe.

It is because Mr. Chamberlain has an eye for such details and interrelated consequences, and because he has cast his book in the form of history rather than abstract argument, that it carries a profound message. The message is that the much-maligned businessman, far from being a greedy exploiter, is in fact the essential intermediary between man, the consumer, and man, the producer – between the demands of the public for goods, and the desire of most of us for jobs and productive work. In a complex civilization characterized by the division of labor, *someone* must play this role, and on the evidence, the businessman has played it surpassing well. In the end Mr. Chamberlain's history of what businessmen have *done* is a spirited defense of the market process which, in supporting the free society, may one day make possible the good society.

▸ POPULATION, RESOURCES, AND THE FUTURE: NON-MALTHUSIAN PERSPECTIVES, edited by Howard M. Bahr, Bruce A. Chadwick, and Darwin L. Thomas (Brigham Young University Press: Provo, Utah, 1972), $3.95 paperbound.

Reviewed by Bruce D. Porter

EVER since Parson Malthus penned his *Essay on the Principle of Population,* prophets of gloom by the handful have denounced childbirth as the source of human woes. In more recent years, however, that handful has multiplied geometrically (and common sense but arithmetically), to make it "common

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knowledge" that a population crisis of immense magnitude is at the door, about to thrust civilization to its doom.

"In the belief that non-Malthusian perspectives on population are not receiving the attention they deserve," fourteen top scholars join forces in *Population, Resources, and the Future* to refute numerous myths about overpopulation and resource shortages. The book is a significant contribution to rationality.

The scholars are highly critical of "population myopia" – the increasing trend to blame all manner of social maladies on the infants coming into the world. Such a catchall diverts our attention from far more significant problems and creates a convenient scapegoat for erring politicians. Drumming up a crisis may only encourage hasty, possibly foolhardy solutions.

Several scholars challenge the Malthusian premise that resources inevitably run a losing race with population. The food supply, for example, has not only kept pace with the birthrate, but since the dawn of serious agricultural research in the first half of our century, it has surpassed it, and the Green Revolution is only beginning. If fully developed and allowed to produce, the world's present croplands could support our growing numbers *many times over*.

The same is true of housing and energy technology. R. Buckminister Fuller contributes an imaginative essay on the potential of engineering to handle increased population at *increasing* levels of affluence. He maintains that improved technology rather than political organization will ultimately be the key to erasing housing, water and energy shortages.

Certain environmentalists have identified overpopulation and "the exploitive system of capitalism" as the two main sources of our pollution problems. B. Delworth Gardner of Utah State University convincingly demonstrates that most environmental damage involves *public* resources and lands, where common ownership eliminates individual responsibility for waste. Contrarily, private ownership of well-defined properties normally works to reduce pollution to negligible amounts. He proposes some unique ideas on using the free market system to control environmental abuses.

Another major assertion of neo-Malthusians has been that high population density is the major cause of crime, delinquency, civil unrest, suicide, and drug abuse. An analysis of demographic patterns dispels this idea. Our urban riots have typically occurred in areas *declining* in population; the highly crowded countries of England and

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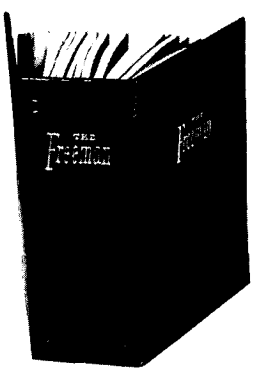
Holland have among the lowest crime rates in the world. A case can even be made in favor of high density life – that it is good for people, their health and sanitation.

The big picture we get is that population is only one of many factors contributing to social problems, and a minor one at that.

"Mass starvation is not made in bedchambers, but in council chambers." The closing essays of the book deal with the moral questions raised by population control. "Coercive programs are incompatible with self-direction and personal freedom." In the realm of living, breathing people, there are values more precious than survival itself.

Should the time indeed come when our numbers reach crisis proportions (and these scholars agree the time is still distant), people will *voluntarily* bear less children. It may frighten some to thus trust humanity's future to the wisdom of free individuals, but a far more foreboding spectre is that of a society planned and ordered and limited, but alas! void of the values, dignity and freedom we have come to take for granted.



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Other Books		317

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